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CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

Income Survey Methods Detailed
(Cai Jiaji; TONGJI, 10 Apr 81) 1

Economic Development Only Within Limits of Economic Capabilities Urged
(Sheng Zhaorong; TONGJI, 10 Apr 81) 8

'JINGJI GUANLI' on Production of Consumer Goods
(Xu Yunbei; JINGJI GUANLI, 15 May 81) 15

'JINGJI YANJIU' Issues Correction
(Editorial Report) 23

ECONOMIC PLANNING

Beijing's Economic Plan, Budget for 1980, 1981 Discussed
(Su Zhen; BEIJING RIBAO, 1 May 81) 24

FINANCE AND BANKING

Currency Withdrawal Necessary to Economic Readjustment
(Editorial; ZHONGGUO CAIMAO BAO, 7 May 81) 34

Strict Enforcement of Tax Laws Emphasized
(ZHONGGUO CAIMAO BAO, 5 May 81) 37

CONSTRUCTION

Methods of Calculating Construction Costs in Constant Terms Explained
(Ma Fuquan; TONGJI, 10 Apr 81) 39

TRANSPORTATION

Problems, Priorities in Highway Modernization Outlined
(Chen Binglin; GONGLU, 25 Nov 81) 46

Role of Highway Transportation in National Economy Discussed
(GONGLU, 25 Nov 81) 53

NATIONAL POLICY AND ISSUES

INCOME SURVEY METHODS DETAILED

Beijing TONGJI [STATISTICS] in Chinese No 1,10 Apr 81, pp 21-23

[Article by Cai Jiaji [5591 1367 3444]: "Household Selection Methods and Other Major Characteristics in Survey of Home Life of Staff and Workers in China"]

[Text] The 30 December 1980 issues of RENMIN RIBAO and GUANGMING RIBAO published survey data from the State Statistical Bureau on the families of more than 80,000 staff and employees in 44 cities, which showed marked increases in an overwhelming majority of the families of staff and families in China with monthly per capita total income for staff and employee families averaging 35.80 yuan. Publication of the figures aroused attention in all quarters who wanted a briefing on the methods by which the surveyed households were selected. This article explains the methods of selection.

(1) How Were the Households Selected for the Survey of Family Life of Staff and Workers in China?

For the surveyed households a sampling method combining type sampling and equal interval sampling was used. In China, these are called "differential point selection, and equal interval sampling." This method divides each unit of the total body into various types on the basis of their attributes and characteristics, after which sample units are selected from among each type using equal interval sampling methods. The so-called equal interval sampling entails arrangement to form a table in accordance with specific criteria or sequencing of each unit in the total, after which sample units are selected on the basis of equal distances or intervals. The specific method of selection was as follows:

The first stage was selection of cities to be surveyed. All cities in the country were differentiated into three categories of large, medium, or small (those with a non-rural population of more than 1 million being large cities, those with between 500,000 and 1 million being medium cities, and those with less than 500,000 being small cities). Next, each of the cities in the three types were sorted into six large areas, and within each large area, each city was arranged from high to low on the basis of average annual wages for staff and employees. The number of employees and staff in each city were totaled and equal interval sampling done, with one city being selected from every other 1 million staff and employees for designation as a survey city. See Table 1.

Table 1

Name of large area	Name of city	Average wages for staff and workers in the city (yuan)	Total number of staff & workers (10,000)	Accumulated total number of staff & workers (10,000)	Selected designation
Southwest	A	620	43	43	
	B	580	23	66	(50)
Northwest	C	870	37	103	
	D	760	58	161	(150)
South Central	E	640	42	203	
	F	630	27	230	
	G	560	46	276	(250)
East China	H	620	36	312	
	I	615	54	366	(350)
	J	610	37	403	
	K	605	57	460	(450)
	L	590	37	497	
	M	580	70	567	(550)
	N	570	36	603	
North China	O	710	32	635	
	P	670	46	681	(650)
	Q	660	41	722	
	R	650	47	769	(750)
	S	610	49	818	

Explanation

1. Supposing 26 medium size cities with staff and employees totaling 11 million, 11 key survey cities will be chosen.
2. On the basis of selection of 1 survey city for every 1 million staff and employees, first of all the first city, B, will be selected at the mid-point of the "selection distance." Next, 1 city per every other 1 million workers and staff will be selected, cities D, G, I, K, M, P, R, U, W, and Y being selected in turn.

Name of large area	Name of city	Average wages for staff and workers in the city (yuan)	Total number of staff & workers (10,000)	Accumulated total number of staff & workers (10,000)	Selected designation	Explanation
Northeast	T	780	23	841		
	U	760	35	876	(850)	
	V	710	50	926		
	W	700	32	958	(950)	
	X	690	56	1,014		
	Y	670	38	1,052	(1,050)	
	Z	640	48	1,100		

We compared the average annual wages of staff and employees in these survey cities with the average annual wages in all of the cities, finding a difference of only -0.9 percent. Of these, the difference in large cities was -0.6 percent, in medium size cities -1.2 percent, and in small cities, -0.9 percent. Therefore, use of these survey cities to conduct a survey reflects the standard of living of staff and employee families in all cities.

The second stage was selection of survey households in the selected cities.

The first step was selection of survey units. First the number of staff and employees to be selected was decided on the basis of the size of the cities. Next, the number of staff and employees to be selected were divided on the basis of numbers of staff and employees per system of ownership and national economic sector. Then the number of survey people in each survey unit was decided, and the number of survey units to be selected and the selection interval figured out. Finally, all units were arranged from high to low on the basis of the annual average wages of staff and employees, and survey units selected at equal intervals.

For example, a certain city might have 700,000 staff and employees of whom staff and employees in units owned by all the people numbered 560,000. Figuring .05 percent, 2,800 people would be surveyed. Staff and employees in collectively owned units numbered 140,000, so 700 people would be surveyed. For numbers of staff and employees in each unit to be selected, see Table 2.

Table 2

Units	Number of Staff & Employees (10,000)	Number of people to be surveyed (individuals)
Total throughout the city	70.0	3,500
A. Ownership by all the people	65.0	2,800
1. Industry	23.2	1,160
2. Capital construction	5.0	250
3. Agriculture, forestry, water, gas	6.4	320
4. Communications, posts and telegraphs	3.4	170
5. Commercial Food and Beverage Service	7.1	385
6. Municipal public utilities	0.6	
7. Science, culture, education, and sanitation	6.7	335
8. Banking	0.3	180
9. Government organizations and groups	3.3	
B. Collective Ownership	14.0	700
1. Industry	9.2	460
2. Construction Industry	1.2	60
3. Transportation Industry	1.2	60
4. Commercial Beverage Service	1.3	65
5. Culture, Education and Sanitation	0.8	55
6. Other	0.3	

After having divided the number of staff and employees to be surveyed on the basis of system of ownership and national economic sector, the next step was to select survey units from within each department. In the case of industrial units in a system of ownership by all the people, for example, the number of staff and employees to be surveyed was 1,160. Supposing the number of people to be surveyed in each survey unit to be 50, then:

$$\text{Number of survey units to be selected} = \frac{\text{Number of people to be surveyed in industrial units}}{\text{Number of people surveyed in each survey unit}}$$

$$= 1160 \text{ people}/50 \text{ people} = 23 \text{ (people)}$$

$$\text{Selection interval} = \frac{\text{Total number of industrial unit staff and employees}}{\text{Number of survey units to be selected}}$$

$$= 232{,}000 \text{ people}/23 \text{ individuals} \approx 10{,}000 \text{ people.}$$

After figuring out the selection interval, all enterprises in the industrial units were arranged from high to low on the basis of annual average wages for staff and employees, and the number of survey units selected at equal intervals. The first survey unit was selected from the midpoint on the equal interval, and then one survey unit was selected from every other 10,000 individuals until 23 survey units had been selected as shown in the following table.

Name of Enterprise	Average annual wage of staff & employees	Number of staff and employees in each enterprise	Cumulative number of staff and employees	Selected Designation
First Plant	792	2,000	2,000	
Second Plant	781	800	2,800	
Third Plant	748	3,617	6,417	(5,000)
Fourth Plant	726	760	7,177	
Fifth Plant	715	8,013	15,190	(15,000)
Sixth Plant	660	1,500	16,690	
Seventh Plant	648	5,000	21,690	
Eighth Plant	635	4,000	25,690	(25,000)
Ninth Plant	620	2,005	27,005	
⋮	⋮	⋮	⋮	

The first survey unit selected from mid-point of the selection interval was the Third Plant. In turn, the Fifth Plant and the Eight Plant were selected.

The second step was selection of households to be surveyed. First the number of staff and employees to be surveyed by the survey units were divided in terms of various classifications of people, and the number of people in each category to be surveyed found. Next to each category of people were listed from high to low on the basis of their average annual salaries, and the interval selected. The families of those staff and employees selected became the survey households (selection methods and selection of survey units being identical).

(2) What are the main characteristics of China's method of selecting survey households?

First of all, our survey households were selected from among the work units of staff and employees. In China, an overwhelming majority of the living expenses of urban households derives from wage income from units with a system of ownership by all the people, and from units with a collective system of ownership. This provided us the conditions to select survey households directly from the work units of staff and employees. This method provided us extremely valuable conditions for carrying out a survey of family life of staff and employees. Since the work units of surveyed households could help us conduct propaganda work so that the staff and employees surveyed would appreciate that even though keeping accounts was a nuisance, it made a contribution to the country and to society, they consciously kept accounts of their own free will to reflect actual circumstances.

Secondly, "differential point selection and equal interval sampling" could make the samples more representative in large, medium, and small cities, in units with a system of ownership by all the people and with a system of collective ownership, in all large administrative zones, in all sectors of the national economy, and in the equal distribution of all categories of personnel.

Third, the samples selected were fairly numerous, and a system of sampling in differ stages was used so that the samples not only were representative of overall standards, but were definitely representative for each sector, each category of personnel, and for each surveyed city. In this survey, the number of staff and employees selected in each surveyed cities was fairly numerous. The number of staff and employees surveyed in each city was generally more than .02 percent of the total number of staff and employees in each city, and in some cases as high as .1 percent.

On the basis of our calculations, the most important indicator in the survey of staff and employee home life--the mean square deviation in the average per capita monthly living expenses income of staff and employee homes--was 10.24 yuan in Shijiazhuang, 11.36 yuan in Shenyang, and 12.13 yuan in Shanghai.

When $t = 2$, the degree of reliability of the survey becomes 95.45 percent.

When $\Delta = \pm 1$ yuan, meaning that the sampling error fluctuates around ± 1 yuan, then the sample amount is $n = \frac{t^2 \sigma^2}{\Delta^2}$

For Shijiazhuang $n = \frac{(2 \times 10.24)^2}{1^2} = 420$ (households)

For Shenyang $n = \frac{(2 \times 11.36)^2}{1^2} = 516$ (households)

For Shanghai $n = \frac{(2 \times 12.13)^2}{1^2} = 588$ (households)

If the survey required only that the overall level of household per capita monthly living expenses income was definitely representative, the sampling figures for each city would be 420 households for Shijiazhuang, 516 households for Shenyang, and 588 households for Shanghai. In actual fact, 2,355 households were selected in Shijiazhuang, 5,954 in Shenyang, and 9,185 in Shanghai. This definitely represented the household per capita monthly living expenses income levels for each unit, each category of personnel, and each city surveyed.

Since the number of survey samples selected was fairly numerous, looked at in terms of results, the representativeness of the survey was quite good. For the aforestated several cities, the sampling error was fairly small, e.g.

Shijiazhuang $\mu = \pm\sqrt{\frac{(10.24)^2}{2355}} = \pm 0.21$ (yuan)

Shenyang $\mu = \pm\sqrt{\frac{(11.36)^2}{5954}} = \pm 0.15$ (yuan)

Shanghai $\mu = \pm\sqrt{\frac{(12.13)^2}{9185}} = \pm 0.13$ (yuan)

Maximum sampling error = t_2, when $t = 2$,

Shijiazhuang $\Delta = \pm 2 \times 0.21 = \pm 0.42$ (yuan)

Shenyang $\Delta = \pm 2 \times 0.15 = \pm 0.30$ (yuan)

Shanghai $\Delta = \pm 2 \times 0.13 = \pm 0.26$ (yuan)

In order to verify the representativeness of the survey data, we can compare the quantity of individual per capita per month wages for every staff and employee surveyed in the survey data with the average monthly wages of staff and employees throughout the cities as given in complete statistical data. In check computations for Shanghai, Tianjin, Hefei, Changchun, Nanjing, Wuxi, Huangshi, Nanning and Lanzhou, the figures were close for both, with the relatively large difference being -2 percent and the relatively small difference being + 0.04 percent.

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NATIONAL POLICY AND ISSUES

ECONOMIC DEVELOPMENT ONLY WITHIN LIMITS OF ECONOMIC CAPABILITIES URGED

Beijing TONGJI [STATISTICS] in Chinese No 1, 10 Apr 81, pp 18-20

[Article by Sheng Zhaorong [4141 0340 2834], "Chat About China's National Situation and National Power"]

[Text] During the 30 years since the founding of the Chinese People's Republic, substantial growth has taken place in the output of China's agriculture, virtually solving the problems of food and clothing for one-fourth of the world's population and maintaining fundamental stability in the livelihood of the people. Industrial output has grown, and a fairly complete industrial system has been built. The growth of industry and agriculture has strengthened the entire national economy as well as cultural and educational endeavors. However, when compared with China's superior socialist system, and when compared with the efforts that have been made by the people of the entire country, our accomplishments should be much greater, and the situation should be better. That they are not is attributable to the impact of erroneous "leftist" thinking in guiding economic work over a long period of time, several flip-flops, and particularly the destruction caused during 10 years of turmoil, which have caused us to walk a tortuous road, have wasted a lot of time, and squandered great wealth. The reasons for the erroneous "leftist" mentality in economic work are complex. Analysis and exploration of conditions and reasons for their occurrence and development in a use of "lessons of the past" to act as a "teacher for the future" is a major task confronting economists and theoreticians.

Mistakes in economic work were particularly manifested in high accumulations and much capital construction, resulting in inevitable pressure on consumption and on production, leading to serious imbalances in national economic proportional relationships, and ultimately necessitating retrenchment and readjustment. In a January 1957 speech to a conference of provincial, municipal, and autonomous region CCP Committee secretaries, Comrade Chen Yun noted that "The scale of construction must conform to the country's financial and material strength. How well it conforms limits stability or lack of stability in the economy. In a country with a population of 600 million such as ours, economic stability is extremely important. The possibility of the scale of construction exceeding national financial and material strength risks, or may bring about, economic chaos. When the two are matched, the economy will be stable." Rereading this speech today after 20 years causes a profound appreciation of the correctness of Comrade Chen Yun's views. I believe one of the main reasons our economic work gave rise to an erroneous "leftist" mentality was a lack of a clear-headed, comprehensive, and thoroughgoing understanding and analysis of China's national situation and national strength. As soon as the economic situation became good, brains became feverish and impatient for quick success. The scale of construction envisioned exceeded national strength and capabilities, with the result that hoped for speed was unattainable.

Just what characterizes China's national situation and national strength? This article will make a preliminary exploration of this question.

The first characteristic is that China is a country with a population of almost 1 billion, 800 million of whom are a rural population, that is undertaking construction. China's agriculture exerts a great drag on the scale of economic construction. During the past 30 years, China's agricultural output has truly shown substantial growth. Grain output went from about 300 billion jin to more than 600 billion jin, and cotton rose from 20 million dan to more than 40 million dan, assuring the basic requirements of the broad masses of the people. However, it must be realized that conditions for agricultural production in China are rather grim.

First of all, population is large relative to land. Marx said that in agriculture "the land itself acts as an implement of production."[1] The amount of a country's cultivated land is very much related to agricultural output. Countries of the world with great agricultural output, such as the United States and the Soviet Union, have an averge land area per capita of between 13 and 14 mu, and in Australia and Canada it is as much as 30 to 40 mu. Even India, with a population of 600 million, has 2.5 billion mu of cultivated land, or an average 4 mu per capita. China, by contrast, has less than 1.5 billion mu of cultivated land, or an average of 1.5 mu per capita. This is to say that cultivated land, that major production implement in agriculture, is conspicuously scarce relative to the population in China. In order to increase the amount of cultivated land and increase soil fertility, for the past 30 years the state and the broad masses of peasants have done a great deal of work in taming wastelands to create farmland, in improving the soil, and in building water conservancy. However, inasmuch as numerous places have not acted in accordance with scientific laws, but rather have blindly destroyed forests and grasslands or filled in lakes to make farmland, the ecological balance has been destroyed. It is roughly estimated that desertification has increased on an area of more than 40 million mu, that regression of the grasslands has occurred on a 700 million mu area, and that annually more than 5 billion tons of silt flows into the ocean. The water surface area has decreased, and the forest area has sharply dropped so that already insufficient cultivated land resources sustained further great destruction, and the area afflicted by disasters annually increased.

Second, the agriculture labor productivity rate is low, each farm worker providing little product. Among countries of the world with high agricultural output, the agricultural labor productivity rate in China is only a little bit higher than in India, and far lower than in the United States, the U.S.S.R., Australia and Canada.

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[1] "Das Kapital," Vol 3, p 879.

		Average grain output per farm worker	Average meat output per farm worker
China	(1975)	1,935 jin	54 jin
	(1978)	2,071 jin	55 jin
U.S.A.	(1978)	281,600 jin	15,042 jin
U.S.S.R.	(1978)	21,424 jin	1,100 jin
Australia	(1975)	94,026 jin	12,691 jin
Canada	(1975)	134,331 jin	7,581 jin
India	(1975)	1,759 jin	9 jin

The speed of growth for China's grain output is only slightly more than the speed of population growth, the increase annually averaging only between 10 and 20 billion jin.

Third is the large quantity consumed by agriculture itself. Consumption levels for China's peasants have risen greatly as compared with the period before Liberation, and the gap between the poor and the rich has narrowed greatly. Nevertheless consumption levels for China's peasants are still very low. In 1979, peasant net income per capita averaged only 160.2 yuan, and levels of consumption were somewhat lower than this figure. Inasmuch as China's agricultural population is large and output levels low, the total consumption figure for China's peasants is still just about equivalent to the net output value from agriculture. At current levels of production, and on the basis of prices for agricultural byproducts before the recent price increases, agricultural output in numerous places is able only to assure the lowest consumption for agriculture itself and simple further production. It cannot provide for large scale expansion of further production, nor can it provide large quantities of surpluses to society as a whole. For example, the net amount of commodity grain provided the country by rural villages amounts to only 14 percent of total output. The commodity rate for cotton is a little higher, but if the piece goods and clothing returned to rural villages is deducted, peasant consumption of cotton stands at about one-half of output. Moreover, exports of cotton cloth and cotton manufactures, when converted to cotton terms, are equivalent to the amount of cotton imported, so imports substantially support exports, and most of the exports do not derive from China's agriculture.

In short, China's agriculture foundation is still rather weak, and the commodity rate is very low. This foundation must first provide the rural population of 800 million with food and clothing plus a little improvement in life year by year, only after which can provisions be made for the country's capital construction.

The second characteristic is that the capacity of China's industrial output to accumulate is not strong. Most of the financial and material resources for China's construction derive from China's industrial output. More than 70 percent of the country's revenues come from the industrial sector. During the past 30 years, China's industrial output has grown rather rapidly. The number of enterprises have increased from fewer than 100,000 in the period immediately following Liberation to 350,000 in 1979, and total output value from industry has increased 41.5 times. In the future, with improvements in the level of management and with specialized cooperation, plus improvements in organization, industrial output can further tap potential. However, it is necessary to realize as well that several special problems currently exist in China's industrial output, which impair economic performance and the capacity to accumulate. Changes in this situation will require a process.

One problem is high consumption and low efficiency. China's industrial labor productivity rate is much lower than that of the economically advanced countries of the world. A look at the labor productivity rate for several goods (1979 figures for China; 1977 figures for other countries) shows the following:

	Steel (tons per capita per year)	Crude Coal (tons per capita)	Crude Oil (tons per capita per year)	Electric Power (Kilowatt hours per capita per year)
China	14.17	0.97	269	54
U.S.A.	274	7.7	2,798	295
U.S.S.R.	113	...	3,567	159
Japan	330	3.0	...	307
West Germany	196	3.2	900	153

Consumption of materials by China's industry is much higher than for economically advanced countries. For example, the utilization rate for steel by China's machinery industries is 67 percent, while it is around 80 percent in advanced countries. China's consumption of energy per ton of steel is 2.28 tons (1979), while in Japan it is only 0.68 tons (1978), and after getting rid of all uncomparable items, ours is still double that of Japan, etc. This shows that consumption of intermediary products is great for China's industrial goods, and the final goods are few.

One of the reasons for such high consumption and low efficiency is that for many years there has been no concern for economic accounting in China's industry, and no attention to economic results. With the implementation of the program of readjustment, restructuring, consolidation, and improvement, there will be gradual future improvements. Another reason is China's large population, the not very high level of learning, low technical level, and old and antiquated equipment. China pursues a policy of low wages, wide employment, and unified planning, with due consideration for all concerned. In order to heal the ravages of 10 years of rampage, and settle the life of the society, for the past couple of years, every manner of means has been employed to place large numbers of youths awaiting jobs. Consequently, use of manpower for industrial production appears to be somewhat too much, and this must be reflected in the level of the labor productivity rate. This situation will not quickly change in a short period of time. China's industrial equipment is mostly at the technological level of the 1940's and

1950's, and unless it is replaced and improved, it will be very difficult to increase efficiency or lower consumption. For example, half of the industrial boilers in the country should be scrapped or improved. This cannot be done in a short period of time. In estimating China's national strength, and in considering the capacity of industry to accumulate, full attention must be given these points.

A second reason is that China's light industrial production is very much influenced by agriculture. Accumulations from light industry should be much greater than from heavy industry. Data for the last 2 years shows that for every 100 yuan invested, revenues and profits realized by heavy industry are less than 18 yuan, while they are around 54 yuan for light industry. The latter is twofold higher than the former. Were light industry to increase output, accumulations would increase too. Since the Third Plenary Session of the 11th Party Central Committee, we have made progress in readjusting the proportional relationship between light and heavy industry. The ratio of light industry to total output value from industry has risen to 47 percent, but reliance of China's light industry on agriculture is very great. About 70 percent of the output value of light industry is affected by agricultural raw materials. Moreover, the industrial raw materials China's rural villages provide cannot be greatly increased within a short period of time. Consequently, even though light industry's capacity to accumulate is itself great, growth of production is restricted by agriculture. In considering the capacity of China's industry to accumulate, this problem must be taken into account.

The third reason is imbalance in the proportional relationships within heavy industry production. This will require great readjustments before economic benefits can be increased. This imbalance is manifested in mining industries (including energy industries), which lag behind processing industries. During the past 30 years, substantial growth has taken place in our mining industries, but when compared with raw materials industries and manufacturing industries, growth has clearly been much slower. A comparison of 1979 with 1952 shows a 13 fold increase in growth of mining industries, a 22 fold growth in raw materials industries, and a 42 fold growth in manufacturing industries. This has resulted in some plants not having enough work to do for lack of energy or materials. It has also resulted in a severe imbalance in the proportional relationship between excavation mining and strip mining. This could not but affect the capacity of heavy industry to accumulate. However, strengthening of mining industries and energy industries, and readjustment of the relationship between them and processing industries still requires a certain amount of time and a certain amount of capital. This is also a problem that must be given attention when considering the capacity of China's industry to accumulate.

In short, after 30 years of strenuous labor, China's industrial production does indeed have a foundation of a certain scale, and it is able to accumulate capital for China's economic construction and provide materials and equipment. However, it is necessary to make a proper estimate of this capacity. Right now, there are numerous problems in it requiring that it be give a peiod of readjustment. Unless we continue to accumulate and undertake large scale capital construction realistically, current industrial production will be insupportable.

The third characteristic is the lack of synchronization between the structure of China's export trade and the structure of industry, with low capacity to generate foreign exchange, which, to a certain extent, restricts use of foreign capital and the introduction of new technology. The Central Committee's proposal to smash the policy of closing the country to international intercourse is entirely correct. Developing countries like China must introduce advanced technology if they are to catch up with economically advanced countries, and if they lack the capital to do so, they can borrow some foreign capital. Under conditions where self-reliance is paramount, the borrowing of some foreign capital without getting the worst of matters in order to introduce beneficial technology can quicken our pace a bit. Nevertheless, borrowing of foreign capital ultimately requires repayment of the original amount plus interest. Consequently, one must have a clear understanding of ability to make repayment.

The principal source of foreign exchange is foreign exports. Only by exporting much can much be imported. During the past 30 years, China's export trade has seen very great growth. By 1979 it had grown nine times what is had been in 1950. Nevertheless, as of now, China's total export figures are very small, amounting to only between 5 and 6 percent of total national output value, much less by far than that of the United States (11 percent), the Soviet Union (9 to 10 percent), or India (10 percent). Furthermore, more than one half of exports currently consist of primary products such as agricultural byproducts, mineral fuels, nonferrous metals, and non-metallic ores, and it also happens that these are also the items that are in short supply and are weak links in our own national economy. In China with a large population relative to available land, the ratio of agricultural byproducts in exports is gradually declining year by year. and China has become a net importer rather than a net exporter of grain and vegetable oils. The rise in export figures in the past several years has resulted principally from petroleum, but because of limited capital, further huge growth will not be possible in the short run. Therefore, in order to expand exports, it is necessary to change the structure of exports, depending primarily on light industry products, handicrafts, and heavy industry and chemical industry goods, and such processing industry exports. Because of a rise in the consumption levels of industrial workers and peasants, growth in light industry output must first satisfy the needs of farflung domestic markets. Handicarfts can make the most of China's advantage of having a large workforce, but there is a limit, after all, to the amount. For machinery, power equipment and chemical products to enter the international marketplace, great efforts will be required to lower costs and raise quality. Predictably, changes in the structure of foreign exports will be a gradual process, and no sudden growth in export figures may be expected in a short period of time.

Conversely, for the moment there can be no reduction in the ratio of consumption goods such as grain, edible oil, and sugar imports, or in raw materials for the textile industry, which uses imports to nurture exports. This means that from the foreign exchange earnings China derives, a substantial amount must be devoted to the importation of needed consumer goods, raw materials for light industry, and the means of production for agriculture. The remaining foreign exchange plus income from overseas Chinese remittances, net foreign exchange earnings from tourism, and other net foreign exchange earnings from invisibles are available for China's use in repayment of loans, for paying interest, and for paying for imported materials for heavy industry, machinery and equipment, and advanced technology. In our importation of new technology and borrowing foreign capital, we must conscientiously and clearly take this into account.

To summarize the foregoing, it may be seen that after 30 years of construction China's national economy possess a rather good foundation, and possesses an advanced base. However, we must keep in mind that China is a country with a large population relative to available land, with a poor foundation to start with, low levels of output, and high consumption. In 1979, China had a national income of only somewhat more than 340 yuan per capita, and between 1971 and 1979, the average annual per capita increase in national income was less than 13 yuan. This signifies that apart from the increased consumption occassioned by natural increase in the population and the need for slight annual improvements in the livelihood of the people, the financial and material resources that we are able to accumulate for use in widening further production are limited. Therefore, when we are working out the proportional relationships among agriculture, light industry and heavy industry, and the proportional relationships between consumption and accumulation, we must act in accordance with our capabilities, proceed in an orderly way step by step, and while making sure that the national situation and national strength are fiscally balanced, credit balanced and materially balanced, first arrange for provide for livelihood and only then provide for capital construction. Especially needed is diligent concern for economic benefits. This way of doing things may seem a little slow, but acutally by keeping one's feet on solid ground, and putting one foot down after another, results can be better and the forward pace can be faster. Our economic construction endeavors will certainly develop healthily, and our magnificent goal of the four modernization will certainly be realized.

9432
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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON PRODUCTION OF CONSUMER GOODS

HK040643 Beijing JINGJI GUANLI in Chinese No 5, 15 May 81 pp 8-10

[Article by Xu Yunbei [1776 6663 0554] of the Ministry of Light Industry: "Try in Every Possible Way to Increase the Production of Consumer Goods"]

[Text] The aim of socialist production is to continuously meet the material and cultural needs of the broad masses of the people. In line with the policy of economic readjustment, the readjustment of light industry must be based on the existing enterprises and on making use of the existing equipment, using comparatively small funds to increase the production of consumer goods in a shorter time by developing new outlets suited to local conditions.

Serving the people and holding ourselves responsible to the people is absolutely not an empty slogan but the guiding ideology for light industry and the principle that must be followed in developing production. There are scores of trades and professions in light industry, and every trade should be subordinate to the needs of the people; we must produce what the people need, and not engage in the production which is divorced from the needs of the people. There are a great variety of designs, sizes and colors in the light industrial products, and every design or size or color is an embodiment of the spirit of serving the people and holding ourselves responsible to the people. We serve the people by producing goods. Whether the quality of the products we produce is good or poor and whether or not the product designs, sizes and colors are suited to popular taste are the concrete expression of whether or not we hold ourselves responsible to the people.

The reason why we must stress some 10 major trades and professions such as the "3 big items," sugar, cigarettes, wine, furniture, clothing, leather and fur, and paper lies in the fact that the major industrial items of these 10-odd trades and professions are what the people need most at present. We should pay attention to these 10-odd major products to promote production on the entire light industrial front. Why should we stress small industrial items? Because, small as they are, they are the necessities of the people. In addition, attention should be paid to stressing the production of export goods. In sum, we must conscientiously stress the production of goods needed by the people and export goods.

Capitalist production aims at grabbing profits. What is the motive force in developing our production? In my opinion, the needs of the people are the fundamental motive force for developing light industrial production. In accordance with this understanding, we can bring order from chaos and mentally clarify the issues of right and wrong, further clear away the "leftist" pernicious influence and integrate the light industrial development with the needs of the broad masses of the people.

At present, the situation in light industry is fine. Since we have raised our understanding and obtained unity in thinking, we should try heart and soul in a great variety of ways to increase the production of consumer goods and effect an upswing in light industry. The details are as follows:

First, there should be a greater breakthrough in production.

The leading comrades of the State Council have directly focused on the production of consumer goods and the production of goods with renowned brand names, and the work of the three big cities. This will not only help accelerate a new breakthrough in the production of the "three big items" but also will give a push to other trades and professions. Recently, the Shanghai municipal party committee decided to switch heavy industrial factories which were operating below capacity to producing bicycles, and worked out plans to enlarge the production of bicycles, sewing machines and wrist watches. The Tianjin municipal party committee has decided to switch 17 factories from heavy industry to the production of the "3 big items." This year the output of bicycles, sewing machines and wrist watches will be higher than last year. While focusing on making a breakthrough in the production of the "3 big items," we should further concentrate on 16 items of goods including paper, beer, essence and perfume. Shanghai and Tianjin are urged to produce more high-grade bicycles and expand exports for the international market. The Beijing municipal party committee has adopted effective measures to expand the production of beer and to solve the problem of "it's hard to buy and make clothes." A very great breakthrough is expected this year in the production of beer and clothes. In this way, beginning by stressing the key products, Beijing, Shanghai and Tianjin have made overall arrangements, thus promoting the advance of their light industrial production. Various provinces and localities should begin the work of focusing on the brand-name products of their own key industrial cities and then make good arrangements for the production of light industry as a whole.

Clothing is a labor-intensive trade, needing little funds. In addition, there is an abundance of clothes-making materials in our country. If the plans and arrangements are implemented, quick returns are bound to result. It is necessary to popularize the method adopted by Shandong and other provinces, in which the production of clothing is brought into line with the state plan, the clothes-making materials are provided directly by textile mills and printing and dyeing mills, and the products are linked with the clothing factories and commercial retail departments. There are 12 provinces which have already practiced this method. It is necessary to carry on this work as a reform. The needed clothes-making materials within the quotas of the province should be provided by the provinces concerned and those within the quotas allocated from other provinces should be coordinated, organized and supplied by the industrial and commercial departments concerned. Marketing ready-made clothes oneself is permissible. On the one hand, people are encouraged to buy more ready-made clothes and less cloth, practice direct supply of clothes-making materials and enthusiastically solve the problem of "it's hard to buy clothes." And on the other hand, it is necessary to set up more sales departments and marketing nets and points, unfold the retail practice of odd-job processing with self-supplied materials, overcome the mentality of fearing difficulties, improve business management and effectively solve the problem of "it's hard to make clothes." This year remarkable improvements should be attained and the foundation laid for thoroughly solving the problem of "it's hard to buy and make clothes" within 2 or 3 years. At the same time, people are encouraged to export more dresses and less cloth and energetically expand the export of clothing products, thus creating more foreign currency earnings.

Furniture trade. The State Council will increase the allocation of wood to be used specially by the furniture trade. The Ministry of Light Industry will take a firm hold of this newly-added allocation of wood and distribute it in good time to various localities. In the meantime, it is hoped that localities where conditions permit will actively expand the production of steel and wood furniture and try hard to notably improve first of all the supply of furniture for young people who are going to get married this year or next.

There are bright prospects for the food industry. Beijing, Tianjin and Shanghai should focus on the development of the food industry, while the various provinces and localities should vigorously develop this industry in line with the principle of adapting measures to local conditions.

Cigarette trade. The State Council has decided to increase the purchasing price for tobacco leaves. The acreage under tobacco has expanded and a favorable turn in the purchasing of tobacco leaves is expected in the later half of this year. At the same time, we are going to exercise centralized unified management of production, supply and marketing in the cigarette industry. Beginning this year, we should strive to gradually improve the production and supply of tobacco leaves and cigarettes and change the situation in which there have been difficulties in the materials of cigarette and medium and high-grade cigarettes are scarce. During the period of economic readjustment, we should adopt effective measures to close and suspend small cigarette factories which cause serious waste due to their unplanned development and competition with the big factories for materials.

The paper-making industry should try hard to improve quality, increase the variety of product design, size and color and do a good job of the building of raw material bases.

At present, the output of salt industry slightly exceeds sales. In future, main efforts should be devoted to doing a good job of transport, upgrading quality, increasing variety, saving energy, developing the salt chemical industry in a planned way and striving for more salt products to be exported.

The domestic electric appliance industry should energetically develop first-rate, attractive and reasonably priced goods such as washers, electric fans and irons, according to the demands of the domestic and international markets, first of all suiting the present consumption level of our people.

Efforts should be made in increasing the variety, sizes and colors of daily hardware and improving its quality, and particular attention should be paid to the hardware products needed in the countryside. The coastal areas should try hard to produce medium and high-grade goods and strive to export more goods.

The plastic goods industry should develop more marketable plastic goods, and make strenuous efforts to promote the development of plastic packing materials and building materials so as to meet the needs of agriculture, animal husbandry, fishery and sideline occupation, and the needs of producing complete sets of industrial equipment and urban construction.

Arts and crafts is a typical labor-intensive trade. It is imperative to implement the policy of making the daily necessities handicraft articles practical, vigorously improve the variety, size and color, upgrade the product quality and raise the quality of packing and packaging to expand exports. Tourist articles should be developed to a new height. In light industrial machinery, we should exert great efforts to replace the equipment of light industry and render service to the latter's technical innovation.

Second, with quality and variety as the core, raise enterprise management to a new height.

With the improvement of the living standard of the broad masses of the people, there are higher demands for consumer goods; meanwhile, with all trades and professions doing their best to support light industry, there will surely be ovdovidity and quality. With the changes in the international market, higher demands are posed on light industrial goods. Therefore, there should be a breakthrough both in quality and variety of light industrial goods. It is necessary to spread the new techniques and new technology suited to our needs and try our best to advance new products so as to renew and upgrade the quality of light industrial products and make contributions to better satisfying the demands of the domestic and international markets.

To improve product quality, we should put the stress on raw materials as the starting point and then solve a series of problems. Judging from the present situation, the main efforts should be made in strengthening enterprise management. There is much work to be done in this respect. For instance, it is very important to work out various rules and regulations, reinforce basic work, overall business accounting and overall quality control, and the work of training the workers and staff and scientific and technical personnel. I hold that what we must stress is fully understanding the characteristics of enterprises. Enterprises are economic organizations engaged in production operational activities. Systems of responsibility for production and techniques, overall business accounting and overall quality control and the work of training the workers and staff and scientific and technical personnel are important to an enterprise. We must integrate the quality of enterprise management and product quality with the vital interests and responsibility of every worker and staff member. It is necessary to give full scope to the role of the workers and staff as masters of the country in creating brand-name products and improving quality.

It is imperative for light industry to further rectify and build the leading groups, strengthen political and ideological work, and by taking the improvement of economic effect as the key, rectify and improve the business management in an all-round way, effectively upgrade technical skills, increase variety, size and color, reduce input consumption and production costs, increase profits and raise enterprise management to a new height.

Third, there should be a new breakthrough in supply and marketing.

To effect an upswing in light industry, on the one hand, it is necessary to do a good job of the supply of raw materials and on the other, it is necessary to strengthen cooperation with the commercial departments and do a good job of marketing the products.

There are many ways to solve the problem of materials. For instance, in the situation in which all trades and professions support the production of consumer goods, we should on our own initiative ask the departments concerned such as metallurgical industry, chemical industry and building materials industry to produce more raw materials suited to the needs of the production of light industry, and various localities are allowed to import some raw materials needed by light industry with the retained portion of foreign exchange funds. This method can increase not only the production of light industry but also local financial revenue. The light industrial departments should vigorously take the initiative to consult and ask the foreign trade departments to export fewer raw materials and more finished products. The supply and marketing departments at various levels under light industry and its affiliated organizations should do a good job of stocktaking in warehouses and of readjusting surplus and deficiency, try in every possible way to open up sources of materials, and do their best to promote scrap collection and recycling and comprehensive utilization. It is necessary to supply raw materials according to priority. Judging from the angle of the whole country, priority of raw materials should be given first of all to Shanghai, Tianjin and Beijing. Various provinces and localities must have their own key cities and key enterprises to which priority of raw materials should be given. To fundamentally solve the problem of materials for light industry, it is imperative to do a good job of the construction of raw material bases. There exist problems of building raw material bases for many products such as cigarettes, wine, sugar, canned food, furniture, leather and fur, and handicraft articles. This is a problem to be handled as the key during the whole period of economic readjustment. The existing bases should be consolidated, while new ones should be built and expanded. The raw material bases should be combined with the traditional supply channels. In future, in solving the problem of raw materials, the enterprises should link up directly with the raw material bases, and this should be fixed step by step. This is demanded by economic laws themselves. To practically solve the concrete problems of raw material bases and ensure the economic interests of the raw material-producing areas and bases, we should enhance their enthusiasm, and further push forward the construction of raw materials bases by adopting economic means such as the principle of sharing the profits, the practice of marketing the products back to the producing areas and bases, and the institution of long-term contracts.

The situation of product marketing is also a crucial problem in whether or not there can be an upswing in this year's production. The light industrial departments should closely cooperate with the commercial departments to do a good job of marketing light industrial products. Those which should be marketed by commerce departments should be in principle handed to them for sales. If commerce does not market them, industry should market them itself by every possible means. Since 1979, the serious dislocation between production and marketing has been improved considerably, since the practice of unified purchase and marketing by commerce has been changed to a combination of planned and selected purchases by commerce and self-marketing by industry. Over the past 2 years, practice has shown that marketing some products by industry is beneficial to activating production and the market. In future, more self-marketing by the production enterprises by varied and flexible ways and means is expected. While strengthening the links between industry and commerce, we should effectively strengthen the work of self-marketing by industry. It is impossible for a big country like ours with a population of nearly 1 billion people to rely on one department to monopolize marketing.

This year the foreign trade departments reduced the procurement quotas in some localities. In this we should strengthen the links with the foreign trade departments and meet their procurement needs as much as possible. We ourselves should try our best to organize and export those items the foreign trade departments fail to or do not purchase. We can also exercise the practice of "using imports to promote exports" by unfolding business activities in processing with supplied materials or samples, assembling with supplied parts and engaging in medium and small-scale compensation trades. Various localities should strengthen the joint industry-trading undertakings on a trial basis and pay attention to summing up their experiences.

Fourth, some issues of policy:

1. On the problem of changing from the state assuming responsibility for profitability in collective enterprises to each unit taking responsibility for its own profits and losses. After 1958, a considerable number of enterprises changed to the practice of having the state assume responsibility for their profitability. This helped promote the mentality of "eating from the same big pot" and the "iron rice bowl." In the past 2 years, some localities have changed back from this practice to taking responsibility for their own profits and losses and have linked the quality of enterprise management with the interests of the workers and staff, thus propelling the advance of production. Generally speaking, it is better for collective enterprises to take responsibility for their own profits and losses than to have the state assume responsibility for their profitability. Those which changed to having the state assume responsibility for their profitability must change back to their former status step by step in a planned way. As regards enterprises which run at a loss due to the state policy or produce the goods that are needed by the masses but yield little profits, different views should be taken according to different cases. These problems should be solved in light of the policies in a planned way.

2. On the problem of the administration of product grouping. A considerable number of enterprises under the second bureau of light industry and its affiliated organizations produce goods outside their own departments and affiliated organizations. The products of these enterprises should be turned over to the corresponding departments and their affiliated organizations for their disposal, but their affiliation should not be altered. The practice in the past few years proves that arbitrary changes in affiliation of these enterprises dampens the enthusiasm of the masses and is harmful to the development of production. It is advisable to adopt the way of forming economic joint undertakings with fixed cooperation and unified arrangements for planning development. We should earnestly sum up the experience in this regard. The county second bureau of light industry and the bureaus of handicrafts should not be abolished; thus leadership over the handicraft industry will be strengthened.

3. On the problem of the indiscriminate requisition of the assets of collective enterprises. The collective enterprises in small towns and cities come under the category of publicly-owned economy and are socialist in nature. The ownership of the wealth and property of the enterprises is protected by state laws and brooks no violation. However, in the past years, in disregard of the repeated injunctions of the party central committee and State Council, by finding various pretexts and inventing all sorts of means, some localities and departments indiscriminately requisitioned and diverted the assets and labor power of the collective enterprises, causing serious consequences. This must be resolutely checked. In future, the light industrial departments and enterprises have the right to reject this sort of thing and to appeal, and the assets which have been discriminately requisitioned must be returned, or else compensation must be paid for them.

4. On the problem of prices and taxes. The raised prices for agricultural and sideline products and some industrial raw materials have a great impact on the production costs of light industry. A readjustment in price of light industrial products is badly needed. At present, on the one hand, we should do our utmost to reduce input consumption, improve business management and economic effect, and on the other hand, we should actively make preparations for readjusting prices, and try hard to solve the problem at an appropriate time. The rate of industrial and commercial tax levied on the light industrial products and the income tax of the collective enterprises is a little high, which demands readjustment, but, since there are difficulties in the state finance, an immediate great readjustment is impossible. Investigation and study are required to create conditions for readjusting the tax rate.

5. On the problem of tertiary industry. Recently the leading comrades of the State Council pointed out that developing tertiary industry can make things convenient for the people and make the economy livelier, and also represents the main solution to the employment problem. The handicraft industry has many fine traditions with many good aspects in business ways and means. For instance, while manufacturing, it did repair and renovation; while producing goods in large numbers, it did processing with supplied material; some units even had their shops in front of their own factories with flexible operation, thus making things convenient for the people. However, these good things were more or less thrown out of the window, causing the greatest inconvenience to the people's daily life. From now on, they must be revived step by step. With regard to the organizational forms of the supply and marketing production cooperatives, we should sum up the experiences and develop them in a planned way.

6. On the problem of putting stress on the countryside and serving the peasants. Nowadays, in some light industrial departments there is a tendency for enterprises which are located in the countryside to keep their eyes on the cities while those in the cities show great reluctance to do processing and repair and renovation. In this way, they have become divorced from the masses. There are 800 million peasants in the country. We must pay attention to the needs of the rural markets, keep our eyes on the countryside, and serve the peasants. We must not separate ourselves from the rural front, and must attach attention to the production of goods needed by the peasants.

Developing agricultural production relies on policies and science. Doing a good job of light industry must also rely on policies and science and technology. With the correct policies, we can eliminate "leftist" pernicious influence and ensure a steady advance of light industry. With the correct policies, we can spark the enthusiasm of the broad masses of the workers and staff and scientific and technical personnel, open up new opportunities suited to local conditions and speed up an upswing in light industry.

To speed up the upswing in light industry, it is imperative to mobilize the broad masses of the workers and staff of the light industrial front. Leading comrades at various levels should try their best to improve the work style, overcome bureaucracy, correct unhealthy tendencies, grasp their work firmly, and be conscientious in their work and practical and efficient in handling affairs. We should conduct education in the situation among the workers and staff, and do painstaking ideological and political work with a definite object in view, thus giving full scope to the enthusiasm, initiative and creativity of the workers and staff. This is a fundamental guarantee for fulfilling the tasks. It is necessary to care for the livelihood of the workers and staff, gradually improve their working and living conditions, and do a good job in production safety and labor protection.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ISSUES CORRECTION

[Editorial Report] Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 6 of 20 June 1981 on page 43 carries a correction to an article in Beijing JINGJI YANJIU No 2 of 20 February 1981, pages 3-7, a translation of which was published in JPRS 78044 of 11 May 1981, No 135 of this series, pages 27-33, under the title "Xu Dixin's Opening Speech at Economic Forum."

According to JINGJI YANJIU No 6, the following changes should be made in the fourth paragraph of the article:

Lines seven and eight should read "national income by 8.9 percent and the standard," changing 9.8 percent to 8.9 percent.

Lines fifteen and sixteen should read "he increased to 33.9 percent in 1958 and," changing 36 percent to 33.9 percent.

CSO: 4006/287

BEIJING'S ECONOMIC PLAN, BUDGET FOR 1980, 1981 DISCUSSED

Beijing BEIJING RIBAO in Chinese 1 May 81 p 2

[Report by Su Zhan [5685 1455], deputy mayor of Beijing: "Report on the Final Accounting and Implementation of the National Economic Plan for 1980 and the Proposed Budget and National Economic Plan for 1981 for Beijing; Presented at the Fifth Meeting of the Seventh Session of the Beijing People's Congress on 23 April 1981"]

[Text] Representatives:

I have been charged by the municipal people's government with presenting for your discussion a report on the final accounting and implementation of the national economic plan for 1980 and the proposed budget and national economic plan for 1981 for the city of Beijing.

I. Final Accounting and Implementation of the National Economic Plan for 1980

In 1980 the people of the city continued to carry out thoroughly the line, direction and policies of the Third Plenary Session of the 11th Party Central Committee. There were new advances in all areas and the implementation of the national economic plan and budget was very good.

A. The Economic Situation Was Good as Manifested by the Following:

1. Industry continued to grow during readjustment and reform. The plans called for an increase of 6 percent in the city's industrial production, but the actual growth was 9.7 percent, of which light industry grew by 19.3 percent and heavy industry by 4.3 percent. The light industry proportion of the city's industry increased from last year's 36.3 percent to 39.5 percent. For the most part the product quality was improved. In comparison with firms nationwide, 137 of the products were in the first rank and 23 of the products received national gold or silver medals. Many enterprises did a good job of saving energy and succeeded in saving energy while increasing production. Readjustment reorganization work achieved certain results. Communications and geological work surpassed the plan, and posts and telegraph work also made good achievements.

2. In a year of bad weather, there were good harvests in agriculture. Suburban rural areas continued to implement the party's economic policies, promoted various forms of production responsibility based mainly on "specialist contracts and linking rewards to production," and mobilized the initiative of cadres and commune members. Under conditions of severe frost and drought, a good harvest was achieved in 1980.

The gross output of food grains reached 3.72 billion jin, which was 20 million jin over the plan and 260 million jin over the previous year. Production of hogs, eggs, milk and fish all overfulfilled the plan and set new records. Oil-bearing crops almost doubled over last year. In vegetable production the plan was completed. Afforestation in mountainous areas was nearly doubled the planned levels. Gross income of industrial and sideline production increased 20 percent over last year.

3. In municipal construction there was a readjustment of the ratio between "bones" and "flesh." In 1980, investment in completed capital construction increased 33 percent over the previous year. In all capital construction, the proportion of nonproduction investment increased from the previous year's 46 percent to 52.4 percent. In production investment, investment in the light and textile industries was increased by severely reducing investment in heavy industry. The area of completed building construction in 1980 was 5.5 million square meters, an increase of 18 percent over the previous year, of which residential construction was 3.56 million square meters, or an increase of 33 percent. This year recorded the greatest number of engineering projects for municipal government and public facilities turned over for use since the country was founded. Telecommunications construction also expanded very rapidly. At the same time, a number of scientific, cultural and educational, public health, commercial, tourist and hotel and external affairs projects were completed. Environmental control and urban greening also made new progress.

4. In commerce, business was brisk. The gross value of goods purchased in the city in 1980 increased 17.3 percent over the previous year, and the total volume of urban and rural retail sales increased 15.3 percent. The supply of food grain, pork, and poultry was ample, while the supply of vegetables was uneven but inclined to be short. Under the leadership of state-operated commercial establishments, with the implementation of economic policies, there was considerable expansion in sales by collectively owned commercial and industrial establishments, negotiated purchases and sales, sales by urban-rural markets and sales by individual industrial and commercial enterprises.

5. Foreign trade increased greatly. The amount of foreign exchange earned from exports abroad in 1980 overfulfilled the plan by 17 percent, an increase of 42.6 percent, and when price factors are removed the actual increase was 24 percent, the highest level in history. The makeup of exports began to change: the volume of heavy industrial goods such as chemicals and machinery more than doubled over the previous year.

6. There were new achievements in scientific research, education and culture and in public health. Leadership forces of scientific research agencies were strengthened and working conditions were improved. The revision and evaluation of technician titles was basically completed, which further mobilized the initiative of scientific research personnel. In 1980, over 800 sets of results from scientific research were obtained. Technical exchanges abroad and the spread of science was also strengthened. The number of students in institutions of higher education was restored to 83,000 and the number of students in middle level specialized schools reached 22,000. A new beginning was made in reforming middle level educational structures and the quality of teaching was improved. Industrial and agricultural after-hours education grew rapidly. Public health departments strengthened prevention of disease. There were improvements in the quality of medical care and attitude of service. Urban environmental hygiene improved somewhat. Family planning was effective, with the one-child family rate reaching 80 percent in the entire municipality (the rate in the city was over 90 percent). Maternity and childcare work was strengthened.

Good results were achieved in culture, physical culture, publishing, radio and television and cultural relics.

7. Efforts were continued to find employment for those seeking work, and the standard of living of urban and rural people was further improved. In particular, collectively owned urban production service cooperatives and labor service companies were organized and various businesses were started, which both helped the masses' standard of living and opened new avenues for young people looking for work. Because of the expansion of employment, rectification of salaries and granting of bonuses, the average income of staff and employees in 1980 increased 160 yuan over the previous year. Income received from collectives by the agricultural population in suburban areas reached an average of 182 yuan per person, which is an increase of 31 yuan over the previous year.

B. On the Foundation of Economic Development, the Fiscal Accounting Situation Is Excellent.

In 1980, revenue was 108.1 percent of the adjusted budget, a 7.9-percent increase over the previous year. The Revenue in 1980 was achieved under conditions of implementing the important policy measures of guaranteed increases in prices for agricultural sideline goods, increased wages, finding employment for labor, and reducing rural taxes, which reduced revenue.

In 1980 expenditures were 83.1 percent of the adjusted budget. The situation in the important categories was:

1. Capital construction allocations emphasized local department residential construction, municipal and public facilities, developing light and textile industry and building commercial and service facilities. In terms of local construction, 1.64 million square meters were completed, largely built with capital raised by the individual units themselves; over 92,000 square meters of middle and elementary schools were built; 13 new restaurants; 6 new hotels, increasing the number of beds by 3,864; 15,000 square meters of cold storage for vegetables; and 325 public buses, trolleys and taxis were purchased.

2. Enterprises uncovered renovation capital which was largely used for energy conservation, pollution control and for light industry markets, exports and tourism. During the year, 405 completed projects were put into service and the economic results were very clear.

3. Science and technology expenditures were largely for research projects on nonstaple food production, food processing, medium and high grade textile and light industrial products, new energy sources, and new types of construction materials and environmental protection.

4. Increased allocations of enterprise liquid funds were mainly used to increase production of textile and light industry. In 1980 the municipality's industrial and communications enterprises carried out a check on property and liquid funds and adjusted deficiences and surplus uses, and this played a role in speeding up the turnaround of funds.

5. Help with agricultural expenditures. With the support of finances, through the efforts of commune members, in 1980, 2 small reservoirs were built, 558 wells were drilled, 21 small hydroelectric stations were built, 148,000 mu of swampy and alkaline land was reclaimed and 365,000 mu of land was afforested.

6. City support expenses were used in residential areas to build sewage pools, to increase the number of trash cans and stages, for new and improved public toilets, for large and medium-sized roads, sewers, improved building areas and alleyways, for renovating residences and bringing in running water.

7. Expenditures for culture, science and hygiene. In education, in addition to maintaining normal expenditures, emphasis was placed on rebuilding 91,000 square meters of dangerous middle and elementary school buildings and supplementing school equipment. In hygiene, the new and rebuilt municipal stomatological hopsital and the Chuiyangliu Hospital received additional equipment and work was carried out on rebuilding the Tongren Hospital wards. The capacity of hopsitals for outpatient care was expanded, the management was improved and the bed use rate increased from the previous year's 87.1 percent to 92.1 percent.

Generally speaking, the results of budget implementation were good. As concerns the readjustment of the ratio, the fact that income was well over the budget amount and expenditures were only slightly over played a role in promoting development of production, guaranteed that normal demands were met and improved the urban and rural standard of living. There were some shortcomings, however; mainly, control of income and expenditures was not tight enough, management was not strict, and supervision was not sufficiently vigorous. Waste in some enterprises was severe. Too many bonuses were issued without regard to the interests of the nation as a whole. Administratively, there were many agencies and numerous personnel, efficiency was low and excessive expenditures were still too high. These shortcomings should be conscientiously changed in the future.

II. Preliminary 1981 State Economic Plan and Budget

A. State Economic Plan.

1. Strictly control the scale of capital construction, improve return on investment and further readjust the ratio between "bones" and "flesh."

Firmly reducing the scale of capital construction is the main aspect of this readjustment. Construction investment for 1981 in the Beijing area is planned at 2.472 billion yuan, and the area of construction projects begun or restarted should be reduced from the 18 million square meters demanded to 12 million square meters.

Local investment in construction for 1981 is set preliminarily at 983 million yuan, a 22-percent reduction from 1980's actual investment of 1.25 billion yuan.

To do a better job of readjusting the relationship between "bones" and "flesh," the emphasis of this year's local construction is on: municipal government and public facilities, housing, comprehensive facilities for commercial and service networks, middle and elementary schools and hospitals, urgently needed school buildings for universities and specialized colleges and schools, tourist project required by external affairs, and some municipal government facilities and other projects suited to the needs of the capital. Capital investment for industry will be greatly reduced. The relative emphasis on local nonproduction investment will be raised from the previous year's 51.5 percent to about 80 percent.

2. Vigorously expand agricultural production and improve the supply of nonstaple foods to the city.

Grain output is planned for 3.3 billion jin, with a goal of 3.5 billion jin; oil-bearing crops is 460,000 dan, with a goal of 530,000 dan. While raising output per unit, we should increase production of beans and food grains other than rice and wheat, adapt to development of green manure, improve crop rotation and use land rationally.

Vigorously expanding nonstaple food production is an important task for suburban agriculture. Planned purchases are as follows: live hogs, 1.8 million; fresh eggs, 50 million jin; milk production, 145 million jin; dried fruit, 300 million jin; and fish, 6 million jin. We should vigorously improve the production and supply of fresh vegetables; the amount of commodity vegetables sent to the city is set at 2.1 billion jin, and agricultural and commercial sections should coordinate this work very carefully and together arrange for variety and seasonal production and conscientiously resolve the issue of vegetables for the masses to eat.

The area for afforestation is 250,000 mu, with a target of 300,000 mu; 15 million trees will be planted as part of the "four sides" campaign. Forestry policy should be conscientiously implemented, and a good and careful job done of raising seedlings an and forestry management and production the survival rate should be improved and results sought so that forestry in the capital will make big advances.

3. Conscientiously readjust and reorganize industry so as to adapt Beijing's industrial construction gradually to the special features of the capital.

The industrial growth rate for the city for 1981 is set at 3 percent, with light industry growing at 8 percent. Due to limitations on energy resources and raw materials, as well as the problem of markets for some commodities, there is considerable leeway for production quotas. Plans for 199 light and heavy industrial commodities (not including machinery) include increases for 65 commodities, or 33 percent; and decreases for 125, or 63 percent. Every means should be sought to save on energy and raw materials, to vigorously improve product quality, increase variety and produce marketable products, actively open new markets and strive to complete and overfulfill the plan.

Beijing industry should emphasize readjustment in five areas: 1) readjust the industry structure to suit the characteristics of the capital and emphasize resolving the needs of food, clothing and necessities of the people; 2) readjust product structure and production direction; 3) readjust the industrial situation to control the three waste pollution; 4) readjust enterprise organizational structure and further reorganize industry and implement coalitions in line with the principle of specialized coordination and economic rationalization; 5) readjust export product structure.

Sections should carry out surveys of the actual situation in subordinate enterprises and set up priorities and propose readjustments in accord with the directions and principles set out in the government work report. Under the unified leadership of the municipal government, feasible industry readjustment plans should be formulated and implemented.

All enterprises should use the opportunity for readjustment to do a good job of enterprise rectification, and to carry out political, cultural, technical and after-work education of staff and employees. Staff and employees of units which have been shut down or held up in their work by poor organization should improve their organization and except for those engaged in public interest labor such as planting trees in the "green-up" campaign or road-building, should undergo formal training in a planned manner. "Intelligence investment" should be emphasized and efforts should be made to raise the political, technical and professional level of cadres and workers, so that the level of management and technology of industrial enterprises shows a clear improvement.

4. Strive to improve supply in capital markets and arrange foreign and domestic trade rationally.

In the past few years, the purchasing power of the society has grown rapidly. It increased 20 percent in 1979, 15.3 percent in 1980, and in 1981 it is planned that the volume of social commodity retail sales will increase 8.3 percent over 1980 (and it may even reach more than 10 percent.) At present, for some high medium-grade goods, such as pure woollen goods, brand-name bicycles, brand-name watches, sewing machines, wardrobes and double beds, the contradiction between supply and demand is rather sharp. Industrial sections should further uncover production potential and increase production. Commercial sections should do everything possible to organize the supply of goods, make an effort to reduce the stock of goods, accelerate turnover and increase the market supply. Foreign trade section stocks not suited to export should be marketed internally as much as possible.

To do a good job in the important area of capital market supply, under the leadership of state-run commerce, collective and individual commerce should be vigorously expanded, and agricultural trade markets should be run well so as to gradually change the situation in which state-run commerce holds a monopoly.

In order to resolve the problem of a shortage of commercial and service industry outlets, apart from increasing the outlets in the city, agencies and enterprises should be mobilized to provide good management of dining halls, bathrooms, laundries, to increase the range of services to make things convenient for staff and employees, and to reduce pressure on commerce and service industries in society. We should fully utilize civil air defense engineering projects to open shops, hotels, and dining rooms; as conditions permit, we should further expand the number of vending kiosks and carts. In short, commercial and service outlets which require the outlay of little or no money but which benefit the masses and expand employment opportunities should be vigorously developed.

The volume of foreign exchange earned from export commodities in 1981 will be 4.2-16.6 percent less than the previous year. Industrial, agricultural and foreign trade sections should support each other, coordinate closely and strive to complete this mission.

Due to the special conditions of the capital city, there will be considerable expansion in tourism. Construction of tourist hotels should be stepped up, efforts should be made to increase tourist sites and tourist goods, to improve service work, and to improve the quality of service.

5. Plan culture and education, hygiene, science and technology and family planning work well.

In education, regarding enrollment plans for 1981 for higher education, the middle level specialized schools, and technical and industrial schools will do their utmost to complete the mission set by the state in accordance with the principle of doing what one is capable of and doing one's best. The structural reform of middle level education should be conscientiously carried out, ordinary middle school education should be reduced and specialized middle school education should be increased, and preschool education should be further strengthened. In order to do a good job of training staff and employees on the job, a variety of forms should be adopted, such as continuing to expand the television universities and operating after-work middle specialized and technical schools, in order to improve their level of culture and science and their professional skills.

In science and technology, scientific research units subordinate to the city should be further rectified and readjusted; in order to conscientiously use science and technology, it is necessary first of all to promote the direction of economic development, and science and technology projects should be carefully planned to conform to the needs of economic construction. In 1981, 387 scientific research projects are planned, of which 41 percent concern agriculture, light industrial markets and energy sources.

In hygiene, the number of hospital beds in 1981 will increase to 29,100 or more, which is over 600 more than in the previous year. Treatment and public health units at all levels should further implement the policy of taking prevention as the main task, strenthen preventive work with regard to communicable diseases, strive to improve the quality of treatment, improve the service attitude, and do a better job of management.

Family planning work is of strategic importance; the spirit of the state family planning propaganda work conference should be conscientiously implemented and efforts should be made to control the natural population growth rate. Because the number of young people who are entering the period of legal marriageable age is increasing, late marriage and late childbirth should be further promoted and propaganda work on limiting children to one per family should continue to be carried out; this is particularly critical in the rural areas.

B. Draft Budget.

The state plan calls for revenues to increase 1.8 percent over the previous year. Of this amount, enterprise revenues will increase 0.5 percent over the previous year, basic depreciation funds handed over to the state will be reduced 8.4 percent over the previous year, and industrial and commercial taxes will increase 4.3 percent over the previous year. We should certainly adopt all possible measures to increase production while economizing, increase income while saving on expenditures, improve economic results and work hard to complete the revenue task assigned by the state.

Expenditures are planned to increase 7.9 percent over the previous year, including plans for municipal flexible funds which should be mainly used for building residences, commercial and service outlets and making up shortages in administrative, education and culture, and public health expenses.

C. Continue To Do a Good Job of Economic System Reform in Readjustment.

Since 1979, in accordance with the directives of the party Central Committee and the State Council, we have done a great deal of work on reforming the financial and economic system. Some of the state-run industrial firms and commercial, service, publishing, public and goods and materials firms in the city have retained some of their profits on an experimental basis; 11 industrial firms have participated in a pilot project in which "taxes substitute for profits, accounting is independent, and the firm is responsible for its own profit and loss"; state farms have experimented with methods of financial responsibility; industrial and commercial sections, under the guidance of the state plan, have acted as market regulators; some scientific research units have signed economic contracts with firms or rural communes and brigades, etc. Practice shows that this reform direction is correct, that the economic results are good and that it plays a positive role in stimulating the economy and raising economic benefits.

In the process of this important economic readjustment, reform should follow readjustment, reforms beneficial to readjustment should be actively carried out, reforms which were effective in an earlier stage whould be continued, the results of reforms should be consolidated and expanded, and a small number of new pilot projects should be carried out under guidance and in a systematic way. On the basis of the specific situation in Beijing, the following should be emphasized in 1981: 1) Further improve the method of retaining some of the profits; strengthen auditing of important enterprise economic and technical norms, so as to determine the ratio of profits retained and the level of bonuses; strengthen management of the enterprise's use of funds retained so as to do a better job of uniting the interests of the enterprise with those of the state. 2) Enterprises which have not implemented retention of some of the profits should, depending on the situation, implement the enterprise funds system or the financial responsibility system so as to mobilize the initiative of the enterprise to make more contributions to the state. 3) Pilot projects involving "taxes substitute for profits, accounting is independent and the firm is responsible for its own profit and loss" should summarize their experience and do a better job o of texting the method. 4) District and country financial systems should investigate improvements by testing the system of "linking income and expenditures and increasing the ratio between them" 5) As concerns investment for capital construction, except for a few projects of administrative units, those units which have the ability to repay should gradually shift from public finance allocations to the system of bank loans. 6) Under the guidance of the plan, there is need for a better job of developing market regulation in production and circulation and of conscientious efforts to investigate new situations and solve the problems that arise in this area. 7) There should be continued organization of various forms of economic alliance, including alliances between industrial sections, between industry and commerce, between industry and trade, between industry and agriculture, between agriculture and commerce, within agriculture itself, alliances between scientific research and design units on the one hand and production units on the other, alliances between urban and suburban areas, between Beijing and cities in other provinces, and economic alliances between China and other countries. There are already pilot projects involving alliances between industry and commerce, industry and trade and agriculture, and industry and commerce, and these should be improved. 8) On the basis of the needs of economic readjustment, under the guidance of the relevant directives and policies of the state, certain methods should be developed for the greater expansion of the economies of urban collective ownership and individual ownership to make up for shortcomings in the state-run economies.

D. Carry Out Further Work To Stabilize Prices.

After the State Council issued the "Notice on strictly controlling prices and recitifying negotiated prices" and the "Directive on strengthening market management and attacking opportunistic speculation and smuggling" in December 1980 and Jaunuary 1981, respectively, the municipal government conscientously emphasized this work and formulated the following series of policy regulations and concrete measures: "Notice on implementing the State Council's 'Notice on strictly controlling prices and rectifying negotiated prices,'" "Trial provisions concerning pricing principles and variety of negotiated purchase and sale of agricultural sideline products," and "Trial provisions on strictly managing chaotic and covert price increases." After several months of effort, market prices have basically stabilized and order reigns in the market again. Persistent efforts should be made to continue to do this work well.

At present, the following should be emphasized: 1) Conscientously expand supervision and inspection of prices and attack opportunistic speculation. 2) Thoroughly strengthen price management. 3) Continue to rectify negotiated purchase and sale of agricultural sideline products. 4) Rectify trade warehouses and agricultural trade markets. 5) Conscientiously investigate and resolve new problems appearing after prices are controlled.

E. Correctly Implement a Bonus System, Firmly Stop Reckless Bonuses and Allowances.

III. Strengthen Centralized Unity, Strive To Increase Production While Practicing Economy, Increase Income While Economizing on Expenditures, Promote the Steady Development of the National Economy

This readjustment is a sober and healthy readjustment. Under a situation of reduced capital construction, we should adopt a positive attitude, conscientiously emphasize agricultural and industrial production, and promote the stead development of the national economy and a turn for the better in the financial situation. All production which is socially necessary and can be carried out, should be. This is a demand of readjustment. All fronts without exception--agriculture, industry, communications, posts and telegraphs, construction and commerce--should give an important place to increasing production while practicing economy and while economizing on expenditures and conscientiously emphasize these goals.

The existing foundation should be fully utilized to promote uncovering potential, innovation and reform. In Beijing there are over 7,000 industrial firms (including over 5,000 urban neighborhood and rural commune and brigade industrial firms) with fixed assets of over 14 billion yuan and over 1.4 million employees. This is a very large foundation. Industrial reorganization and alliances of firms should be emphasized and, on the foundation of reorganization and alliance, technical reform should be carried out and productive ability increased. At the same time, enterprise management should be improved so as to uncover latent potential, promote efficiency and improve benefits. Production of consumer goods should be placed in an important position and efforts should be made to increase marketable goods, market supply and promote rationalization of economic structures. A campaign to increase production while practicing economy should be launched which focuses on improving quality, increasing variety, saving energy, and lowering costs, and the advanced levels should be surpassed in terms of the main economic and technical norms.

Saving energy and raw materials should be conscientiously emphasized. In 1981 the supply of goods, materials and energy is tight and units which use them must pay attention to economizing and try to increase production by practicing economy. The nation demands electricity savings of 3 percent, coal savings of 4 percent and oil savings of 5 percent. This mission absolutely must be completed.

New opportunities must be opened up and new ways found to provide employment for those seeking work. This year there are about 260,000 persons looking for work; the third estate should be vigorously expanded, young people looking for work should be encouraged to pursue careers in collective or individually owned catering, service, repair, commerce and handicrafts which are not polluting and do not disturb people, so that these trades will develop. To promote this work, policies should be appropriately broadened.

Centrally unified leadership should be strengthend. This economic readjustment affects the situation as a whole and influences all aspects. There are a number of capital construction projects which should be discontinued; some firms should be shut down and converted; the production mission of some firms is insufficient; the administrative expenses of the overwhelming majority of units should be reduced; bonuses and various allowances should be rectified; and the supply of fuel and raw materials should be reduced. Under these circumstances, it is necessary to strengthen leadership, especially in terms of the overall economy; strengthening centralized unity and implementing unified command is an important measure for turning around the passive situation in the national economy. We should firmly implement the stipulations of the State Council. The direction, policy and important measures set down by the Central Committee should be firmly carried out by all places of work, sections and firms. We cannot be of two minds, we cannot feign compliance, and even less can we sit on our hands and do nothing.

The planning section should firmly establish an attitude of performing in accordance with capabilities and do a good job of establishing an overall balance. Important planning norms should be conscientiously examined by the municipal planning committee and relayed after ratification by the municipal government. Comprehensive sections--finance, taxation, banking, labor, prices, goods and materials, statistics--all should uphold principles and the system and do a better job of inspection, supervision, coordination and service. Districts, counties and departments all should self-consciously serve the interests of the general situation. Naturally, to emphasize centralized unity now does not mean that everything should be centralized and done in a rigid fashion, a return to the old road of the past. At the same time that planning direction and administrative intervention are strengthened, district, county and grassroots level unit initiative and positive factors should continue to be brought into play.

So that readjustment work goes forward smoothly, it is necessary to have further political unity and stability and to vigorously strengthen political and ideological work. The positive role and profound significance of readjustment should be actively propagandized so that the cadres and masses have a clear understanding of the direction, policy and measures of readjustment; so that they have a unified understanding and will go all out. On every front, discussion of serving the people and responsibility toward the people should be launched broadly and profoundly, and through this discussion these tasks in our city should be continually advanced.

8226
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CURRENCY WITHDRAWAL NECESSARY TO ECONOMIC READJUSTMENT

Beijing ZHONGGUO CAIMAO BAO in Chinese 7 May 81 p 1

[Unsigned Editorial: "Great Efforts To Organize Currency Withdrawal"]

[Text] The strict control of unreasonable amounts of currency in circulation, great efforts to organize currency withdrawals, and the realization of balanced credit revenues and expenditures are important goals of this year's economic readjustment. Beginning this year, all localities have made great strides in the control of currency in circulation and the organization of currency withdrawals, and have achieved very great results. In accordance with the conditions in our nation, generally speaking, in the first half of the year, the currency in circulation and that withdrawn offset each other showing a net withdrawal of currency. In the latter half of the year, they offset each other showing a net increase of currency in circulation. The primary reason for this is that the currency put into circulation by purchases of farm produce and sideline products is concentrated during the latter half of the year. For this reason, the more currency withdrawn during the first half of the year, the more assured of realization is the plan to control the amount of currency in circulation. All localities should grasp the opportunity at the time as they are controlling the unreasonable amounts of currency in circulation, to strive to withdraw a little more currency from circulation in the first half of the year in order to adapt to the need for currency in circulation during the latter half of the year.

Efforts to organize a withdrawal of currency from circulation must both control unreasonable amounts of currency in circulation and pay attention to enlivening the economy. In our country there are two different currency circulations. One is unreasonable currency circulation, for which there are no goods and materials to guarantee the issue of the currency, such as the indiscriminate expansion of negotiated purchases of farm produce and sideline products which drives up the negotiated prices and recklessly issues rewards, etc. This type of currency issue occurs frequently and creates relatively great pressure on currency withdrawals. Furthermore, it has an unfavorable effect on the entire economy. For this reason, the necessary strict controls on this kind of unreasonable currency circulation cannot be slackened. The other type of currency circulation is reasonable, an economic issue of currency such as the extension of credit to sustain the production of daily consumables or to sustain the expansion of grain production and diversification. This type of currency issue has products and materials guaranteeing it. It not only can increase the material strength of a currency withdrawal but also promotes the entire economic readjustment. For this reason, banks in all localities should strive, through their capital, to support increased production of high quality daily consumables which have a market and satisfy a need and to support grain production and diversification enlivening production. In the first quarter of this year, all localities earnestly implemented the Central Committee's guidelines concerning the realization of further readjustment of the economy and further political stabilization, and controlled capital fairly tightly, which is a normal phenomenon inevitably encountered in the process of readjustment. However, this readjustment is not at all similar to the circumstances of the 1960's and cannot rely, as was done at that time, solely on a reduction of expenditures or solely on tight credit controls to solve the problem. Furthermore, following the gradually deeper economic readjustment, the economic conditions of the second quarter will still be somewhat more complex than those of the first quarter. Thus, on the one hand, the guidelines on currency withdrawal, the reduction of fiscal expenditures, and the tightening of credit should be continued; and on the other hand it is still necessary to enliven the economy, promote agricultural production, expand commercial sales, and increase the material strength of currency withdrawal. Due to the fairly large portion of currency already withdrawn during the first quarter, the new situation of currency circulating in the current market should be especially targeted to an even greater extent. That which should be tightly controlled should be resolutely controlled, and efforts should be made to enliven that which requires enlivening. Doing this will further the smooth withdrawl of currency, thus guaranteeing the economic readjustment.

Withdrawal of commercial sales constitutes approximately 70 percent of the total amount of the entire nation's currency withdrawal and is the key to realizing the plan to control currency circulation throughout the year. Commercial sectors should make great efforts to dredge the commodity circulation canal, reducing wholesale chains, improving fast sales, and alleviating commercial bottlenecks. The attitude of poor sales must be overcome; efforts must be made to expand sales, fully tap the materials potential, and actively dispose of overstocked products. At present, the rural purchasing power is increasing very quickly. Rural currency constitutes more than 60 percent of all market currency in circulation. For this reason, careful attention must be given to particular to improving the building materials used by peasants and the industrial products sent to the countryside, while efforts are made to expand rural sales. This is a stable market and one important aspect in the withdrawal of currency.

For the currency withdrawal to be carried out well, efforts must be made to support the development of food services, cultural entertainment, travel, and other forms of "third industries" and to increase noncommercial currency withdrawal. The development of "third industries" can both make the lives of the people more convenient and expand employment. It would also be beneficial to the development of production and would increase the income of service industries. Last year, the cash income of service industries in our nation was over 14 billion yuan. The first quarter of this year showed an income of more than 3.8 billion yuan. As can be seen, the potential for this sector is very great. At present, the various social service industries of our nation absolutely cannot satisfy the needs of the people. If this sector can be expanded somewhat, it will greatly increase the noncommerical currency withdrawal. Support for "third industries" requires little capital, there is little waste, the turnaround time is fast, and the results are great. Within a short time, a return can be made on loans extended. Trade and finance sectors should make even greater contributions to support the development of "third industries."

The withdrawal of credit is also an aspect of organized currency withdrawal which cannot be overlooked. Banks in all localities should give attention to speeding up the turnaround time for credit funds, to the prompt receipt of loan payments on time, and to efforts to organize all deposits.

Much work is still required to guarantee the completion of the currency withdrawal in the latter half of the year and to realize the plan to control the amount of currency in circulation throughout the year. Beginning this year, although the currency withdrawal situation is relatively good, we absolutely cannot drop our guard. The degree of difficulty will also increase somewhat, particularly with respect to further withdrawals based on the withdrawals already made in the first quarter. However, at present there are many conditions which are beneficial to control of circulation and the organization of withdrawals. The current economic situation is very good and the extent of increase in production of daily consumables has been fairly large. Reductions on the basic construction front and various measures strictly controlling fiscal expenditures are continuing to be carried out completely. The commercial, supply and marketing, and foreign trade sectors are actively adopting measures to strive for expansion of the business of buying and selling and for increasing the supply of marketable commodities. All localities and sectors should align their thinking with the guidelines and policies of the Central Committee and thoroughly carry out the work of controlling the currency in circulation and organizing withdrawals throughout the year. In particular, all local banks should, with the leadership of all levels of the party and the government, take the initiative to strengthen relations with relevant departments and make efforts in common to do a good job and work to the very end. If this is done, the completion of the currency withdrawal for the first half of the year and the realization of the plan to control the amount of currency in circulation throughout the year is entirely possible.

9795
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FINANCE AND BANKING

STRICT ENFORCEMENT OF TAX LAWS EMPHASIZED

Beijing ZHONGGUO CAIMAO BAO in Chinese 5 May 81 p 1

[Commentary by staff commentator: "Strictly Enforce Tax Laws, Safeguard State Revenue"]

[Text] In accordance with a State Council decision, the Ministry of Finance's General Taxation Bureau has issued an announcement on the settlement of tax evasion and overdue taxes. This is an important facet in the implementation of the State Council's eight-point resolution for balanced income and expenditures and for strict fiscal controls. It is also an important measure to insure state revenue and to uphold the tax laws.

The tax revenue laws constitute part of the socialist legal system. Full payment of taxes on time in accordance with the tax laws is a glorious obligation which should be fulfilled by all enterprises and individuals. Upholding the tax laws and supervising and urging enterprises to comply with the tax laws and regulations is the unshirkable duty of all levels of leadership. At present, on a nationwide scope, the majority of enterprises and individuals comply with the laws and enthusiastically fulfill their tax obligations. The general situation is good. However, it should be pointed out that proceeding from the partial and local interests of this unit, there are some enterprises which are not strictly enforcing the tax laws and regulations and are in arrears or evading tax payments, which puts a squeeze on state revenue. Some enterprises disregard the law and discipline, unscrupulously resorting to deception to evade taxes intentionally. There are also enterprises which use all kinds of excuses to resist taxes and some responsible comrades not only do not take measures to stop this illegal activity but even even wink at and shield it. For these reasons, overdue and evaded taxes constitute a fairly serious situation. Last year, some cities began examining the situation in some enterprises. They discovered more than 160 million yuan in evaded taxes. During the fourth quarter of last year, some cities examined over 2,700 enterprises, discovering that more than half had the problem of evading taxes. Actions of this type which run counter to state tax policy and influence state fiscal revenue cannot be allowed to continue.

Tax revenue is an important source of capital for the implementation of socialist construction and is also an important measure in national income distribution and redistribution. The state, through tax levies, gathers together dispersed capital for use in the expansion of production operations and the improvement of the material and cultural levels of the people. This then embodies the unanimity of interest of the individual, the enterprise, and the state. Everyone should comply with the state tax policies and laws. This is particularly true for state-managed and collective enterprises, the payment of whose taxes constitute the vast majority of all state tax revenue. The state of their tax payments has a decisive effect on the stability of fiscal revenue. For this reason, they should especially provide an example of complying with the tax laws and fulfilling tax obligations. The State Council has ruled that the receipts of enterprises must first be used to make tax payments and that if after repeated urgings the overdue tax payments are not made, the bank is to be notified to deduct the payments. The Public Announcement of the General Taxation Bureau reaffirms that when there is disagreement between an enterprise and a tax bureau organ on a tax problem, the payments should first be made in accordance with the tax laws, and later opinions should be passed to the higher level tax authorities. No excuse can be used to avoid payment of the tax. This is necessary for the enforcement of the tax laws which safeguard state revenues and should be resolutely and thoroughly carried out.

The settlement of tax evasion and overdue taxes concerns every enterprise and taxpayer. This is a very stringent policy. All levels of leadership of finance and trade departments should give strong emphasis to this matter, conduct thorough and painstaking mobilization work, and through various means spread the word, explaining the great significance of fully implementing the General Taxation Bureau's Public Announcement. Each enterprise and unit should, following the requirements of the Public Announcement, earnestly conduct a self-examination of their tax payment situation and immediately pay overdue or evaded taxes. Furthermore, they should supply tax data as the situation dictates and accept inspections by tax bureau organizations. All levels of tax bureau organizations should organize the development of self-examination at enterprises, implement programs for necessary supplemental guidance, and in the context of self-examination develop total inspections. Policies should be firmly grasped, matters should be handled strictly according to the regulations, and the further establishment and amplification of various control systems aimed at current problems should be undertaken so as to close up the loopholes. In summation, painstaking and thorough work must be carried out to implement the Public Announcement and obtain results ahead of schedule.

9795
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CONSTRUCTION

METHODS OF CALCULATING CONSTRUCTION COSTS IN CONSTANT TERMS EXPLAINED

Beijing TONGJI [STATISTICS] in Chinese No 1, 10 Apr 81, pp 27-29

[Article by Ma Fuquan Shanghai Academy of Finance and Economics: [7456 1381 3123], "Preliminary Tentative Ideas On Drawing Up Capital Construction Investment and Price Indices"]

[Text] Since the founding of the Chinese People's Republic, great growth has taken place in China's capital construction total completed investment figures. In 1950, they were only 1.13 billion yuan, but by 1979 they had reached 50 billion yuan or more than 43 fold increase. But historically, total completed investment figures have been figured on the basis of estimated per unit prices (or actual per unit prices) for the current year. Inasmuch as prices frequently change, the speed of growth calculated in this way cannot accurately reflect changes in development of the quantity of work completed in capital construction. How to eliminate the price change factor is a major problem awaiting solution in current capital construction statistics.

Some individuals believe that solution to this problem will make possible formulation of indices for total investment volume, and the conversion of investment figures, thereby making it possible to reflect accurately changes in development over the years in the actually completed quantity of capital construction. The computation formula is:

$$\bar{K}_Q = \frac{\Sigma Q_1 P}{\Sigma Q_0 P}$$

$\bar{K}_Q$ represents the total investment indix

Q_1 represents the actual amount of capital construction completed during the reporting period

Q_0 represents the actual amount of capital construction completed

P represents fixed (or base period) estimated per unit costs

'This is a theoretical formula for calculating the index of total investment. Because capital construction is inherently extremely complex, use of this formula directly to calculate the index of total investment on the basis of comprehensive data by any but individual grassroots construction units is generally very difficult. Therefore, economic index system theory may be used, and the method of drawing up conversion coefficients used to make indirect calculations. These conversion factors are the investment price indices put forward in this article. They portray estimated per unit price change indices in completed investment figures. Use of this index to divide the reporting period's completed investment figures, as calculated at estimated per unit prices, permits conversion to reporting period completed investment figures, as calculated from estimated per unit prices during the base period. Then, by comparison with base period completed investment figures, the index of total investment in capital construction may be derived. Use of the formula is explained as follows:

Index of total amount of investment = index of total investment figure divided by index of investment price =

$$\frac{\text{Reporting period total completed investment figures}}{\text{Investment price index}}$$

$\div$ base period total completed investment figures.

Inasmuch as the individual constituent elements in investment figures are extremely complex, and individual price changes peculiar, investment price indices must be individually formulated on the basis of major individual constituent factors (such as construction and installation projects, and purchases of equipment) followed by comprehensive formulation of change indices in overall investment prices.

1. Methods of Formulating Construction and Installation Project Price Indices

Because of costs of the four categories: materials, wages, and other direct and indirect costs (plus the addition of large temporary equipment costs and legitimate u profit), budgeting the price of construction and installation costs entails comprehensive study of changes in estimated prices for construction and installation projects in order to comprehensively formulate price indices on the bases of the prices of these four categories of expenses. In China's current cost structure for estimating construction, and installation project prices, costs of materials amount to about 75 percent, wages about 10 percent, other direct costs (including costs of using medium and small machines, water and electricity costs, scaffolding costs, and equipment, materials and machinery transportation costs) amount to about 5 percent, and indirect costs (including administration and management costs and other indirect costs such as wages and extras for administration and management personnel in departments directing construction work, travel expenses for temporary duty assignments, transportation subsidies for going to and from work, and other indirect expenses such as labor protection expenses, technical security expenses, supplemental wages and extras for production workers) amount to about 10 percent. Because of the complex structure of other direct and indirect costs and their ratio of only 15 percent, and since these two categories of costs are simply embodied labor and living labor expenditures, in order to simplify calculation procedures, when we are calculating price indices, formulation is made on the basis of changes in material price indices and wage change indices. Other direct and indirect costs may be calculated on the basis of their make-up. Supposing the price change in the embodied labor portion (C) and the price change for materials to be identical, and changes in the portion expended for living labor (V) and changes in wages to be identical, these two categories of costs are divided into C and V, and are proportionately applied to the cost of materials and wages and weighted numbers in the index.

For example, in a typical case, two-thirds of these two categories of costs belong to embodied labor expenses (C), so (15% x 2/3 - 10%), and one-third belongs to embodied labor expense (V), so (15% x 1/3 = 5%). Thus, in the estimated price for the entire construction and installation project, 85 percent of costs will be for materials (i.e. 75% + 10%), and 15 percent will be for wages (i.e. 10% + 5%).

Generally speaking, changes in the price of materials includes both changes in per unit prices of materials as well as changes in the amount of materials expended per project. Thus, it is necessary, first of all, to formulate an index of per unit price changes for materials, and an index for changes in per unit expenditure of materials.

Materials price change index = materials per unit price change index X materials per unit consumption change index.

Materials per unit price change index = the sum of reporting period materials per unit price X reporting period quantity of materials consumed) divided by the sum of (reporting period per unit cost of materials X reporting period quantity of materials consumed).

If individual calculations for materials consumed on construction and installation projects are based on specific varieties and specifications, not only will the amount of work be extremely great but also unnecessary. We can proceed from investigation and study to selection of materials consumed in large quantities for which the per unit price change was substantial (such as steel reinforcement, steel windows, lumber, cement, yellow sand, stone, bricks, tiles, glass, lime, electric wires, electric conduits and various other non-ferrous and black metals etc) to serve as sample materials to reflect fairly closely the extent of change in the per unit prices of materials. If formulations are individually made on specific materials consumed on a project to derive indices of changes in individual consumption of raw materials, that would be more complex. The year to year change in consumption of raw materials will not be very great. Therefore, formulations can be prepared on the basis of quantity of materials used and the amount of work expended per 10,000 yuan of construction. The formulation for calculation is as follows:

Per unit materials consumption change index = the sum of (quantity of materials consumed and quantity of work done per 10,000 yuan of construction and installation during the reporting period X per unit cost of materials during base period) divided by the sum of (quantity of materials consumed and quantity of work done per 10,000 yuan of construction and installation during the base period X per unit cost of materials during base period).

Effects of the structural components are fairly great on the quantity of materials expended and the amount of work done per 10,000 yuan of construction and installation. In order to make-up for this drawback, we can formulate change indices in per unit consumption of materials on the basis of civilian construction and industrial construction (industrial construction may be further refined as machine industry, chemical industry, metallurgy industry, and light industry).

Then on the basis of the proportion of labor used to complete construction, we can calculate the average weighted number to serve as the index of change of the per unit consumption of all materials.

Multiplication of the change index in per unit cost of materials and the change index in the per unit consumption of materials yields the change index for the cost of materials.

The index of change in wages and the index of change in material costs are similar in that they include wage level (i.e. average wage) changes, and they also include changes in the per unit quantity of work (i.e. the labor productivity rate). Wage costs as a part of each project segment's estimated per unit costs is derived from multiplying the amount of work used times labor remuneration per unit of time. For example, 3 work days will be required to complete a certain segment of a project for a certain unit, and the remuneration to labor per work day is 2.50 yuan; thus labor costs will be 3 x 2.50 = 7.50 yuan. Looked at from the angle of the overall national economy, if any changes occur in wage levels or in the composition of labor, changes will take place in average wages. If, for example, wages are readjusted [upward] for some workers, average wages will rise. Conversely, if a large number of new workers come into the market, inasmuch as wages for new workers are relatively low, average wages will decline. The two have an effect on the rise and fall of prices for construction and installation projects. The per unit quantity of labor used is an inverse indicator of labor productivity rate. Therefore, if the per unit quantity of work can be reduced, this means an increase in labor productivity, so a greater quantity of work can be done using the same amount of labor. Alternatively, for the completion of the same amount of work, less labor need be expended. This results in a reduction in actual wages paid, and thus costs on construction and installation projects drop.

Therefore, to formulate change indices for wages, it is necessary, first of all, to formulate average labor index and labor productivity index.

The average labor index = Average wages for all employees in the construction unit during the reporting period (yuan per person) ÷ Average wages for all employees in the construction unit during the base period (yuan per person).

Labor productivity index = Labor productivity rate for all personnel in the construction unit during the reporting period (yuan per person) ÷ labor productivity rate for all personnel in the construction unit during the base period (yuan per person).

The composite effect of these two indices on all employees of the construction unit is substantial, and the productivity rate is affected by the structural components of the project. Consequently the wage change index can only approximately reflect the relative degree of wage changes. But inasmuch as expenditures for wages amount to only about 15 percent of the cost of construction and installation projects, the effect cannot be too great.

When we have the materials price change index and the wage change index, we may use a weighted average formula to formulate the price index for construction and installation projects, i.e. using these two kinds of indices we can use their proportion of estimated price as a weighted number to derive the weighted average. The formulation for calculation is as follows:

$$\text{Construction and installation project price index} = \frac{\text{the sum of separate indices x weighted number}}{\text{the sum of weighted numbers}}$$

For example, material and wage change indexes and their weighted numbers for a construction and installation project in a certain area were as follows:

Cost Item	Index (%)	Weighted Number	Index x weighted number (%)
Materials	110	85	9,350
Wages	120	15	1,800
Total	---	100	11,150

$$\text{Construction and installation project price index} = \frac{11,150\%}{100} = 111.50\%$$

This shows that the price for the construction and installation project during the reporting period rose 11.5 percent over the base period.

2. Means of Formulating Equipment Price Indices

Equipment (actually equipment, instruments and devices is meant) are complex in types, varieties, and specifications, and there is no need for us to formulate equipment price indices on the basis of comprehensive data.

A current catalogue of the country's machinery and power equipment (products) shows 377 kinds of machinery and power equipment. For each kind there are a few score or hundreds of varieties and specifications. Statistical forms of current materials also show 48 different kinds of machinery and power equipment used in capital construction, which uniformly allocated machinery and power equipment is of 23 kinds, and 60 percent of which were sold for cash [rather than bartered] in the Shanghai area. There are 14 types of second category machinery and power equipment for which more than 10 percent were sold for cash in the Shanghai area. There are 11 kinds of other machinery and power equipment 30 percent of which were sold for cash in the Shanghai area. Thus, we must proceed from thoroughgoing investigation and study to selection of the major equipment and certain major implements, and devices (such as rock drills, power hoists, cranes, conveyer belts, metal cutting machine tools, forges, industrial boilers, low pressure valves, alternating current electric motors, instruments and gauges, measuring devices, cutting tools, transformers, electric power generators, metallurge equipment, and chemical equipment), which are purchased in substantial quantities, have a fairly high per unit cost, and enjoy a rather quick turnover. We should figure out and record quantities purchased and per unit costs for use in formulating sample data for equipment price indices, so as to be able to approximately reflect changes in their prices.

The formula for calculating equipment price indices is as follows:

Equipment price index = the sum of (equipment per unit price during reporting period x quantity of equipment purchased during reporting period) divided by per unit equipment price during base period x quantity of equipment purchased during reporting period.

In other kinds of capital construction, there are various expenses to be paid, but the ratio is not great. In formulating investment price indices for price changes, they need not be taken into consideration, but rather the supposition can be made that their changes are the same as the changes in overall investment price changes.

3. Investment Price Indices and Total Investment Indices

Once one has construction and installation project price indices and equipment price indices, the ratio between the two may serve as weighted figures to calculate the weighted average price index.

Suppose the construction and installation project price index in a certain area, and the equipment price index and its weighted figure are as follows:

	Price Index (%)	Weighted Figure	Index x Weighted Figure (%)
Construction and installation project	111.5	60	6,690
Equipment	105.0	40	4,200
Total	---	100	10,890

Investment price index = the sum of (separate indices x weighted figure) divided by the sum of weighted figures = 10.890% divided by 100 - 108.90%.

With the investment price index in hand, we can use the aforestated conversion formula to calculate the index of total investment.

Suppose that during the reporting period a certain area has a total completed investment figure of 400 million yuan, the total completed investment figure for the base period being 360 million yuan, and the investment price index being 108.9 percent; therefore:

$$\text{Total investment figure index} = \frac{\text{reporting period total completed investment figure}}{\text{base period completed investment figure}}$$

$$= \frac{\text{400 million yuan}}{\text{360 million yuan}} \quad 111.11\%$$

Total investment index = total investment figure index divided by investment price index = 111.11% divided by 108.9% = 1.0203 = 102.03%.

The results of the aforestated calculations show that reporting period total completed investment figures increased 11.11 percent over the base period. Because reporting period investment prices increased 8.9 percent over the base period, the actual quantity of work completed on capital construction increased by only 2.03 percent during the reporting period as compared with the base period.

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TRANSPORTATION

PROBLEMS, PRIORITIES IN HIGHWAY MODERNIZATION OUTLINED

Beijing GONGLU [HIGHWAYS] in Chinese No 11, 25 Nov 81 pp 3-6

[Article by Chen Binglin [7115 3521 7792]: "A Brief Talk on Problems in the Modernization of Chinese Highways"]

[Text] In response to the call of Vice Minister Pan Qi [3382 3825] in his open letter, I would like to offer some of my preliminary views on the modernization of Chinese highways for discussion. As this subject covers such a wide field, I can only deal with several major problems for drawing out more valuable opinions.

I. The Key Problem Lies in the Priority of Highway Construction

We have seen in all documents, newspapers and reports that priority should be given to the development of communications in the four modernizations. Since communications and transportation occupy such an important position in the national economy, there seems to be no question about giving priority to their development. Yet, such is not the case. For this reason, I would like to say a few words on this problem to begin the discussion.

Highway transportation is by nature an active industry marked by its particular flexibility, enabling goods to be shipped either in large or small quantities directly from place to place. It is a means of transportation of great economic significance. In advanced countries in the world, highway transportation is much more active and heavy than railway transportation. In many countries, on highways parallel with railways, goods can be transported by highway more economically than by railway for a distance of several hundred kilometers, while in China this distance is only several dozen kilometers. The advantage of highways in passenger transportation is so obvious as to need no elaboration here.

China does not have sufficient highways. In the past many years, not many new highways which were up to standard were built. What highways were built were of a relatively low standard. By the end of 1978, Chinese highway mileage averaged only 9.3 kilometers per 100 square kilometers. This compares with the 66 kilometers per 100 square kilometers of the United States, the 291 kilometers of Japan, the 42 kilometers of India, the over 100 kilometers of 12 European countries, the over 20 kilometers of the other European countries, and the over 10 kilometers of 13 African countries. Of the total highway mileage in China, the mileage of first and second class highways amounted only to 1.5 percent. This compares with the 20 percent in the United States, 15 percent in Japan, 24 percent in India, 30 to 40 percent in most of the European countries, and over 40 percent in Africa. This shows just to what extent is the low mileage and standard of Chinese highways. It also shows that the low mileage and standard of Chinese highways is a weak point in the development of communications and transportation in China. This should arouse our attention.

With regard to the standard of highway construction, it is noted that in many advanced countries, highway construction and maintenance were totally mechanized in as early as the 1940's. They are progressing toward total automation in this work with great success, while in China, most of its provinces and municipalities are still relying mainly on manual labor, fulfilling their highway construction tasks according to the "human-sea" combat tactics. Many provinces in China were unable to obtain a highway roller in many years, not to mention other highway construction equipment. Even compared to the standard of construction of railways and buildings in China, the mechanized degree of highway construction is 10 years behind.

Highway construction departments in China often are unable to obtain highway construction materials, such as asphalt and other supplies which are under centralized distribution. The construction of many highways was sometimes suspended on that account, causing tremendous waste. Moreover, in many instances what heavy diesel oil allocated to the communications departments was liberally distributed to shipping units for use as fuel, with little left for highway construction. Similar instances are too many to cite here.

From the abovementioned instances it can be seen that there are many factors contributing to the lack of progress in the development of highways in China. The most important factor is that the development of highway transportation in China is not given any priority. This constitutes a big obstacle in the realization of the four modernizations. We should issue a loud hue and cry to arouse the attention of all quarters concerned.

II. It is Necessary to Establish a Highway Network Through Overall Planning

Although in the past the construction of a national highway network was planned, it was not carried out due to many factors. It is necessary today to draw up a new and realistic national highway-network construction plan through the assignment of sufficient personnel and a process of investigations and study on first-hand data. This will be a component part of the general plan for the development of the national economy as a whole. This highway network should be built in the following manner:

1. The construction of state, provincial, and county highways according to administrative divisions. The construction of local highways between communes should be handled by local authorities according to their own plans. These local highways should not be considered as a part of the national highway network.

2. The construction of the national highway network should include the main communications and transportation lines serving the interests of agricultural and industrial production, particularly highways leading to and from major industrial and mining enterprises and state-operated farms.

3. In view of the numerous tourist attractions in China, it is anticipated that tourism will be greatly developed. It is necessary to build tourist highways according to a different standard to serve the interests of tourism.

4. Highways should also serve the interests of national defense. At present, there are still many localities which are without national defense highways. In these localities, national defense highways should be built to be linked with other highway lines.

5. Following the development of the four modernizations, it is necessary to build freeways between major cities and between cities and major industrial areas within this century. These freeways should become a component part of the national highway network.

The highways of the above five categories form the foundation of the national highway network. The construction of this highway network should be coordinated with the development of railways, waterways, air lines and pipe lines to form a comprehensive transportation system, making it possible to carry out transshipment through different means of transportation without a hitch. The highways may be built according to four, not more, technical standards according to their usage and demands. These standards should not be viewed as highways of different administrative levels. The construction of freeways should be carried out according to another standard different from the aforementioned four standards. It should be further studied and set forth accordingly.

III. The Source of Funds for Highway Construction on a Large Scale

In the past few years, the various provinces and municipalities have raised much fund for highway maintenance. While some provinces did not have sufficient funds for highway maintenance, others enjoyed some surplus to be used on highway reconstruction. This was how many of the provinces managed to improve their highway conditions in recent years. The little fund they obtained from the state was utterly insufficient to do anything. If this situation continues, it is impossible to carry out the modernization of highways, nor the establishment of a highway network. There must be new sources of funds for the development of highway construction. Let us see how other countries have solved this problem and see if we can do the same.

In the past many years, a large number of countries have depended for the construction of their freeways not on investments by the state, but on bank loans or investments from private interests (including corporations). After the completion of the freeways, tolls are collected from commuters over a period of several years to repay the loan or investments concerned. The surplus money obtained from the tolls go to the investors as profits. Generally speaking, the investors are able to recover their investments within 10 years.

In the capitalist countries, the tolls are collected over a period of from 20 to 30 years. The rates are high and the collection periods are long. If this method is adopted in China, we may reduce the toll rates or shorten the toll-collection periods, so that as soon as the loans from the state banks are repaid, the tolls would be lifted. This method may apply not only to freeways, but also to new and rebuilt highways of other classes.

IV. Determine the Objective

The scale, standard and facilities of highways have a lot to do with their objective, i.e. to serve what type of motor vehicles. It is a controversial issue with regard to what type of motor vehicles should be the objective of highway modernization in China--sedans or large motor vehicles. From the viewpoint of the economic conditions, energy supply and social system in China, the future of sedans is limited. I consider the service for large motor vehicles should be the main objective in the development of highway modernization. It should be pointed out here that the objective mentioned here is considered from the angle of construction engineering, not from that of such technical standards as loading capacity.

V. Highway Speed Limit, a Factor Promoting Advancement of Other Factors

The speed limit is not an isolated single factor. It is a complex factor reflecting a string of other technical standards in highway transportation. Just as in railway transportation where attention should be paid to punctuality, in highway transportation attention should be paid to the speed limit which may promote the improvement of other factors. If a higher speed limit is set, it is necessary to adopt a higher geometrical standard for highway line selection, a higher standard in road surface structure, better safety measures, and more advanced traffic control system, with arrangements to assure good flow of traffic. More important, it should be seen that there is an interrelationship between speed limit and highway passage capacity. To assure that highway traffic is conducted at high speed, in large volume and with good safety, it is necessary to set a standard of speed limit according to the objective laws governing all three. From this it can be seen that the speed limit is actually a profile of the technical standards of a highway.

The highway passage capacity is a hard and fast factor of a highway. It bears certain relationship with the flow of traffic. A U.S. study shows that on a 4-lane freeway, if the speed limit is 80 kilometers an hour and the flow of traffic is steady, the highway passage capacity amounts to 3,000 cars an hour (one-way traffic), and that if the speed limit is 64 kilometers an hour and the flow of traffic is not so steady, the highway passage capacity amounts to 3,600 cars an hour. On the Nako Freeway in Japan, the speed of cars of all types averages 50 kilometers an hour, and the highway passage capacity amounts to 48,000 cars per day, equaling to 2,400 cars an hour (one-way traffic). From this it can be seen that other conditions being equal, a high speed limit may result in a relatively low highway passage capacity. This is because cars at higher speed must keep greater distance between them. That is why we say the speed limit can reflect the degree of modernization of highway transportation.

I would like to suggest that highways of the first class be designed to accommodate large motor vehicles traveling at 80 kilometers an hour, that of the second class at 65 kilometers an hour, and that of the third class at 50 kilometers an hour. In view of the fact that freeways must accommodate a considerable number of sedans in the future, they may be designed for cars traveling at 120 kilometers an hour. As the speed limit has a direct bearing on the cost of highway construction, it should be set with due consideration to the financial ability of the state and the actual need.

VI. Quantity and Quality

The main factors reflecting the backwardness of highways in China which need to be changed are their poor quantity and quality. We must determine what are the total mileage and the classes of highways to be built by the year 2000. This should be made not according to subjective wishes, but rather on the basis of careful considerations, studies and investigations. The following are my preliminary views:

The IRF Statistic Yearbook reports that there are two trends in highway development in the world: In the developed countries, the construction of new highways is very slow, because their countries have been or are almost saturated with highways, and they are devoting their main efforts and investments to improving their existing highways, such as building or rebuilding freeways. In the developing countries, the main efforts are devoted to the construction of new highways rather than improving existing highways. In both the developed and developing countries, their percentage of high-class highways in terms of their total highway mileage is much higher than that of China. This state of affairs is worthy of our study.

In the light of the present highway situation in China and the need for realizing the four modernizations, we should develop both of the aforementioned trends in highway construction, not doing one in neglection of the other. It may be suggested that by the year 2000, we should have built 200,000 kilometers of highways of the first and second classes, of which the first class should account for 8 percent and the second class 12 percent of the total mileage of highways in China. To achieve this aim, it is necessary for China to rebuild or build about 10,000 kilometers of highway a year. This is not an overly ambitious figure. We should be able to achieve this goal through great efforts. Starting 1985, we should begin to build some freeways. It would not be bad if we could have built 500 kilometers of freeways by the year 2000.

It is urgent that we start to improve the existing substandard highways, raising them to established standards. The most crucial task is to provide separate lanes for motor vehicles and non-motorized vehicles. Further, the problem of providing land for highway construction should be solved realistically. It is necessary to adopt legal measures to correct malpractices in highway construction. We should restore the outstanding traditions of paying attention to quality and adhering to established rules and regulations. In this connection, we should pay more attention to ideological education.

VII. Highway Construction Mechanization

Some of the sequences in highway construction can be done only by machines in order to assure its high quality. This should by no means be done by manual labor. In the past, according to the policy of relying mainly on "local, mass, and non-technical" efforts in construction, the employment of unskilled labor was emphasized, holding that such type of construction could keep the cost of construction low, thus negating the value of professional workers and machinery. This biased view has brought about some ill effects, such as neglecting the importance of quality, scattering the professional workers, and abandoning construction machines. This ill practice is still not corrected.

China is characterized by its availability of inexpensive labor. There is nothing wrong with that. But it is going a little too far if large numbers of agricultural laborers are used without compensation. There is nothing in common between such practice and the socialist policy of "to each according to his work" in distribution. Such practice has not only resulted in the low quality of construction, but also impeded the advancement of mechanized operation. If this ideological problem is not solved, it would be impossible to realize the modernization of highways in China.

China has relied on mechanized construction to some extent in building highways for foreign countries in its foreign aid program. But domestically the standard of mechanization in highway construction is about 30 years behind that of the developed countries. The degree of mechanization in highway construction can be used as a yardstick in judging the modernization of highways. We should aim at the following: (1) All the sequences of highway construction must be done by machines if the quality of work cannot be assured otherwise, or if the manual labor is so strenuous that it is harmful to the health of the workers, and (2) by 1985, the construction of all highways of the first and second classes must be carried out according to the standards outlined in (1) and by 2000 the construction of all highways in China be mechanized.

Where do the machines come from? At present, all machines in general are under the control of the First Ministry of Machine-Building. The channel of distribution of such machines leading to the highway units is not always open. Although the Ministry of Communications has under its control some of the machines, there are many problems in assigning them for productive construction. Some machines designed and built by scientific research units are still in prototype, not being committed to production in quantity. The channel of research-production-distribution-utilization is yet to be cleared. This necessitates the leaderships of the various departments and provinces to join efforts to solve the problem. There is no time to waste.

It is necessary for China to import some highway construction machines and to buy some machines for copying in China to meet its urgent needs. But very few people seem to care for it. If the import of construction machines is viewed side by side with the import of asphalt, we can see there is a problem in policy-making. China is an abundant producer of crude oil but not of asphalt. The need for asphalt should be satisfied through negotiations among the various departments concerned, not through import from foreign countries. It is now reported that China has decided to buy more than US $20 million's worth of asphalt from Japan (a product of the Middle East crude oil), but no urgently needed machines. Is that a good policy? It is hoped that all leading authorities will give some serious thought on this problem.

VIII. Rules and Regulations are Needed in Highway Administration

During the catastrophic 10 years of Lin Biao and the "gang of four," the rules and regulations governing the control of highways were seriously undermined. Many outrageous things occurred. For instance, in south China suffering from a shortage of arable land, crops were raised on highway shoulders and on slopes on either side of highways, side ditches were destroyed, the expansion of farmland infinged on highways, highways were used as yards for sunning grain, irrigation ditches were dug across highways, trees along highways were felled, and highway signs were destroyed or stolen. Evidence of such malpractice is everywhere. Furthermore, highway maintenance workers were poorly organized, and were not paid at a decent wage, and highway maintenance was carried out poorly, so that the conditions of highways have deteriorated. If nothing is done to correct these developments, the end results can be imagined.

A set of Highway Laws is being formulated. This is as necessary as it is urgent. I suggest that the Highway Laws include provisions governing the malpractice of using rural labor for highway construction without due compensation and issuance of decent pay for workers. This will promote the establishment of highway construction and maintenance teams. The problem of providing sufficient land for highways should be solved, otherwise it would be impossible to provide different lanes for motor vehicles and non-motorized vehicles to enable motor vehicles to travel at a greater speed. This is an unavoidable problem in the modernization of Chinese-style highways.

IX. Scientific Research

Since the CCP Central Committee issued the call for the four modernizations, China has increased its scientific and technological contacts with foreign countries. This has been true in the field of highways, too. It is our policy to practice self-reliance, while studying and importing advanced technology from foreign countries. We have included in our agenda such items as conducting technological exchange with foreign countries. In this connection, we should be well prepared in cooperating with foreign countries in conducting joint scientific research projects, and in exchanging delegations, personnel and students.

During the 10 years of catastrophe, large numbers of highway research organizations were so seriously undermined that their laboratories were occupied, equipment destroyed, personnel transferred away, valuable data lost and, particularly, control systems wiped out. None of these has yet been restored, and each one is doing what he thinks best without coordination with others. The relationships between the personnel assigned to organizations at lower levels are not clarified. This state of affairs which has lasted for many years has dampened the work enthusiasm of the personnel. It cannot be corrected properly without a strong leadership and good faith. Only by upholding the mass line, carrying forward the socialist style, paying attention to science and technology, strengthening leadership and making up one's mind to do a good job can there be real hope for achieving some improvement.

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ROLE OF HIGHWAY TRANSPORTATION IN NATIONAL ECONOMY DISCUSSED

Beijing GONGLU [HIGHWAYS] in Chinese No 11, 25 Nov 81 pp 1-2

[Article by the Planning Office of the Highway Planning and Designing Institute of the Ministry of Communications: "Highway Transportation in the National Economy"]

[Text] An economic analysis of the value of highways shows that it occupies an important position in the national economy as well as in the entire industry of transportation and communications. The development of highways has an important bearing on that of the national economy.

I. Highway Fixed Assets Constitute an Important Wealth of the State.

During the period 1949 to 1978, the state approved the investment totaling 9.5 billion yuan by the communications sector in the construction of highways. After the highways have been constructed and put in operation, the entire investment has not been entered into the financial ledger as fixed assets. Actually, this investment in the state budget constituted fixed assets. The value of these fixed assets in the national highway network far exceeds 9.5 billion yuan. It is roughly estimated to be about 44.8 billion yuan. This is because firstly, as much as 70 percent of the funds allocated for highway maintenance, or about 14.1 billion yuan, was spent on reconstruction and on major and intermediate repair of highways (with the characteristics of extended reproduction). Secondly, the civilian workers recruited to build highways were paid in the form of subsidies, amounting only to one-third of the regular pay of capital construction workers, marking a roughly estimated saving of about 5.4 billion yuan in the case of newly built highways, and about 6.4 billion yuan in the case of major and intermediate repair as well as rebuilt highways. Thirdly, there were highways built with funds obtained from agricultural surtaxes and with funds raised by local authorities, and highways built by peasant volunteers, totaling about 4.7 billion yuan. Fourthly, there were other highways which built through the investments of other departments, roughly estimated at about 4.7 billion yuan.

According to these rough estimates, the value of the fixed assets of highways in China amount to 44.8 billion yuan, amounting to about 38 percent of the value of the fixed assets of the state-operated transportation and communications enterprises in China, about 9 percent of the value of the fixed assets of all the state-operated enterprises in China, and about 8 percent of the fixed assets under the ownership by the whole people in China.

If the value of the fixed assets of all the highway transportation, highway industrial and highway engineering units of the communications departments is also taken into account, the value of the fixed assets of all highways in China totals about 51.3 billion yuan, amounting to about 44 percent of the value of the fixed assets of all the state-operated communications and transportation enterprises in China, and about 10 percent of the value of the fixed assets of all the state-operated enterprises in China.

The value of the fixed assets in the form of social vehicles and other means of transportation which are not under the control of the communications departments is roughly estimated to total 25.9 billion yuan which is included in the statistics of the value of fixed assets belonging to the various departments concerned and the state-operated enterprises in China.

II. The Volume of Highway Transportation Accounts for a Large Percentage of the Total Volume of All Types of Transportation in China.

The volume of highway transportation in China actually is more than double that shown in statistics. For instance, in 1978 the figures published by the State Statistical Bureau on volume of goods transport amounted to 27.4 billion ton-kilometers, and that published by the Communications Ministry, including that carried out by social vehicles, amounted to 35.0 billion ton-kilometers. But the volume of goods transport in China in 1978 was estimated to be 87.1 billion ton-kilometers. In this article, all the economic figures are calculated on the basis of the volume of transportation so estimated.

If passenger transportation is also taken into account according to a ratio of conversion, the conversion volume of highway transportation in 1978 amounted to 92.3 billion ton-kilometers; and that of highway freight, to 3.4 billion tons.

Highway transportation has accounted for a greater and greater percentage of all types of transportation in China in the past few years. By 1978, the volume of highway transportation accounted for 9 percent of the total volume of railway-water-highway transportation; and that of highway freight, 68 percent.

III. The Value Created From Highway Transportation Accounts for a Substantial Percentage of the Value of Social Final Products. The Cost of Highway Transportation Directly Affects the Level of National Income as a Whole.

Transportation is an indispensable link in the production, distribution, exchange and consumption of industrial and agricultural products. The value of transportation is totally embodied in the value of the industrial and agricultural products concerned. Similarly, the products of construction (such as buildings, structures and installations) also embody the value of transportation. As a matter of fact, the total national production value also embodies the value of transportation.

It is roughly estimated that the total value of highway transportation in China in 1978 amounted to 24.4 billion yuan, accounting for 51 percent of the total value of all types of transportation, and 3.7 percent of the total national production value. By and large, each yuan's worth of social final products embodies 0.037 yuan's worth of highway transportation value.

With the improvement of the quality and standard of highways, if there is a reduction of 20 percent in the consumption of materials in transportation (a reduction in materialized labor) and an increase of 20 percent in labor productivity in transportation (a reduction in live labor), it would mean an increase of 3.5 billion yuan, or a little over 1 percent, in the national income in 1978. A reduction in the cost of highway transportation can bring about a reduction in the cost of production of consumer goods.

IV. Highway Transportation Brings in Substantial Funds for State Finance.

Highway transportation is one of the production departments in the national economy. It is a link in the process of production. In the same way as other production departments, it accumulates wealth for the state and constitutes one of the sources of financial income of the state. In 1978, for instance, the highway units and transportation enterprises handed over to the state almost 1.5 billion yuan as profits and taxes, accounting for a little less than 2 percent of the total amount of the profits and taxes obtained by the state from agriculture and industry combined. Since the founding of new China, the highway units and transportation enterprises have handed over to the state about 16.6 billion yuan as profits and taxes.

Other departments and enterprises also have vehicles engaged in highway transportation. This portion of highway transportation is not done by highway transportation units, yet it also constitutes a link in the production of social final products. For this reason, the value of such products embodies the values of the materials and labor consumed in highway transportation. By the same token, the profits and taxes handed over by the various departments and enterprises to the state also embody a portion obtained from highway transportation. In this sense, the total profits and taxes obtained by the state from highway transportation in China in 1978 actually amounted to about 5 billion yuan, accounting for a little less than 6 percent of the total amount of the profits and taxes obtained by the state from agriculture and industry combined. Since the founding of new China, the highway transportation sector has handed over to the state as much as 34.3 billion yuan as profits and taxes.

It can therefore be seen that highway not only plays a role in national defense and in social communications but also, as seen from the above analyses, directly and indirectly provides a portion of the profits and a definite amount of wealth from its role as an independent means of transportation. It must occupy a suitable position in the national economy and be developed in proportion to other branches of the national economy. For this reason, state planning authorities should pay sufficient attention to the development of highway transportation.

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